

# Financing problems of small and micro enterprises under digital Inclusive Finance

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**Abstract:** small and micro enterprises are the main body of Inclusive Finance and the main direction of its development. “Difficult and expensive financing” has hindered the development of small and micro enterprises. Inclusive Finance is a financial service that takes into account the common interests of banks and banks and can better meet the financing needs of small and micro enterprises. Taking Inclusive Finance as the breakthrough point, this paper focuses on the challenges faced by small and micro enterprises, such as the imperfect regulatory system, the turmoil of private finance, and the difficulties in the development of the guarantee industry. Under the background of digital Inclusive Finance, the author puts forward solutions to the financing problems of small and micro enterprises, so as to promote the healthy development of small and micro enterprises.

**Key words:** Digital HP finance; Small and micro enterprises; Financing; countermeasure

## Introduction

Small and micro enterprises are an important part of China’s economic development, but it is inevitable that they are faced with operating difficulties and a shortage of working capital. To this end, Chinese governments at all levels and financial regulatory authorities have issued a series of preferential policies and reform measures to solve the development problem of small and micro enterprises. Although the “difficulty” and “expensive” of financing for small and micro enterprises have been greatly improved, this problem cannot be solved from the root. The survival and development of small and micro enterprises cannot be separated from funds. Therefore, the biggest problem faced by small and micro enterprises is how to solve this problem. Inclusive finance can reduce the transaction cost in the financing process, and at the same time, it can also take into account the interests and needs of various financial organizations. Inclusive Finance has alleviated the “financing problem” of small and micro enterprises to a certain extent, which is of great significance to promote the healthy development of China’s real economy. Therefore, understanding and paying attention to the financing problems and path selection of small and micro enterprises in the context of Inclusive Finance has great practical significance and guiding role for the development of small and micro enterprises in China.

## 1. Financing status of small and micro enterprises under digital Inclusive Finance

### 1.1 Business sustainability and HP’s limitations

In the process of in-depth development and providing services for small and micro enterprises, inclusive finance is usually accompanied by certain risks, such as the mismatch between profitability and cost, and the difficulty in solving financial problems. In order to meet the needs of the corresponding population, a number of new financial organizations and commercial banks with inclusive finance as the main body have emerged in China, but HP’s financial efficiency is lack of in-depth development, and the internal motivation is obviously insufficient. Due to the restrictions on the pursuit of interests and the control of risks, and the marginalization of inclusive financing for small and micro economies, its support for small and micro economies is weak.

### 1.2 Imperfect government supervision mechanism

At this stage, Pratt & Whitney financing has developed rapidly on the network platform, but domestic laws and policies in this regard are still blank. Without the support and protection of corresponding laws and regulations, online finance is likely to face the dilemma of lack of investors’ rights and interests and out of control of market operation risk, which is undoubtedly a new test and challenge for regulation. With the deepening of the practice of Inclusive Finance in China, the current system has gradually revealed some problems, such as the problem of overlapping supervision and unfavorable supervision, which not only leads to insufficient cooperation between industry supervision, poor supervision power of a single industry, but also the supervision gap caused by the overlapping of supervision responsibilities of multiple departments, resulting in low supervision efficiency.

### 1.3 Chaos in private finance

Inclusive Finance provides a broader financing space for the small, medium and micro economy. However, driven by the self-interest of China’s capital market, many informal private finance has shown a “failure” state of “derailment” and “barbaric growth”. At present, the frequent occurrence of private financial chaos in China, the ineffective work of preventing and resolving risks, and the emergence of “loan evasion” and “bankruptcy” and other malignant phenomena have caused problems such as “runaway wind” and “crash”, which have seriously affected the normal development of small, medium and micro enterprises.

## 2. Suggestions on financing of small and micro enterprises under digital Inclusive Finance

### 2.1 Improve laws and regulations and provide policy guarantee

To promote the stable development of Inclusive Finance in China, the state must strengthen the construction of laws and regulations

system and establish corresponding supporting system to ensure the smooth implementation of Inclusive Finance. Especially the laws related to the financing of small and micro companies, such as the securities law, the money that small and micro companies can raise through financing channels such as stocks and bonds, which means that policies should be biased towards small and micro companies and the threshold for small and micro companies should be relaxed. At the same time, taking into account the actual situation of small and micro companies and the operation of small and micro companies, we should speed up the listing of stocks and change from the “approval system” to the “registration system”. In addition, we should improve the exit mechanism and make it a more standardized operating institution through survival of the fittest, so that it can complement each other in the financial market; Let small and micro enterprises go through the test of the capital market, continuously improve their defects and enhance their competitiveness, so as to help small and micro enterprises solve financing problems. Strengthen the improvement of economic laws and regulations. The enterprise income tax law is related to the operation of small and micro companies. The government should increase the tax support for small and micro companies, and also increase the tax support for small and micro companies, provide support for the financing of small and micro companies, help them accumulate strength and make their growth faster.

#### 2.2 Increase support to serve small and micro enterprises

Therefore, China should strengthen the supervision of small and micro enterprises and strengthen the supervision of small and micro enterprises. We will continue to strengthen policy support for small and micro enterprises, and combine it with the national industrial development plan, focusing on the development of independent and innovative high-tech industries and the cultivation of strategic emerging industries, and carry out distinctive scientific, technological and financial innovation practices. In this process, we should better promote the agglomeration and professional development of scientific and technological financial resources, explore the innovative development mode of scientific and technological finance through multi-party cooperation, and ultimately achieve win-win cooperation among science and technology, venture capital, banking, securities, insurance, scientific and technological intermediary services and other parties. Strengthen the financial investment of science and technology funds, and continue to promote the innovation of the system and mechanism of science and technology management. Guide financial resources, especially social capital, to focus on start-up and growth enterprises, guide social institutions to establish the credit and evaluation system of science and technology enterprises, and speed up the introduction of high-level financial talents. Accelerate China’s entry into the multi-level capital market. Accelerate the listing and growth of companies facing the main board, small and medium-sized board, growth enterprise market, new third board and science and innovation board; We will encourage enterprises to raise funds in a diversified way and strive to solve the problem of debt financing at the start-up and growth stages. The government should carry out more effective integration of social resources, support the development of intermediary service institutions such as small and medium-sized and micro enterprise service institutions, counseling institutions, consulting institutions, asset evaluation institutions and related asset institutions, and guide the construction of a social service system with loan evaluation, management and information consulting, and high-tech cooperation as the main framework, Provide a good social environment for the financing of small, medium and micro enterprises. Strengthen the supervision and management of online finance. With the rapid development of Internet finance, some Internet finance businesses still have problems such as unclear direction and blind expansion. The innovation of Internet finance continues to emerge, which has caused great challenges to China’s current regulatory policies. In order to meet this challenge, first of all, China must accelerate the legislative process of Internet finance, define the scope of Internet finance, and strengthen the construction of Internet finance industry access rules, transaction rules, regulatory bodies and other contents, so as to provide guidance for the orderly development of Internet Finance in China. On the other hand, we should give full play to the function of the Internet Finance Industry Association, optimize the industry norms and requirements based on the development of Internet finance, help the main bodies of various Internet Finance platforms build their own norms and requirements, promote the orderly and healthy development of the industry, and provide a service platform with high credit and low financing cost for the financing of small and medium-sized enterprises.

#### 2.3 Create credit system and provide credit guarantee

First, we need to strengthen the credit guarantee function of small and micro enterprises. Government departments can encourage relevant institutions to innovate insurance products with confidence and transform the current single business model. At the same time, government departments can also carry out standardized management for credit guarantee institutions of small and micro enterprises, strengthen inter-bank cooperation, build a credit mechanism in line with small and micro enterprises, and create recommendation institutions, so as to promote the progress of the industry. In addition, relevant institutions can also create a credit information disclosure mechanism to increase the application of other management information in small and medium-sized micro enterprises.

Second, we should increase investment in the financial market, increase investment in the financial market, and promote the healthy development of the financial market. Adopt various methods to enhance the financing guarantee ability of existing guarantee institutions serving small and micro enterprises, so as to share the risks of commercial banks. At the same time, commercial banks can also be encouraged to increase the proportion of financing guarantee and financing capacity for small and micro enterprises under the premise of controllable risk, so as to promote the ability of guarantee institutions to provide services for small and micro enterprises. Develop the mortgage and pledge of movable and immovable property, explore various forms of guarantee, build a multi-level cooperation platform, and carry out comprehensive risk management and control, and finally support small and medium-sized enterprises in various ways.

#### 2.4 Improve service mechanism and standardize information service

For the financing of small and micro enterprises, the biggest problem that financial institutions need to solve is information asymmetry. Compared with other large enterprises or listed companies in China, the business information of small and micro enterprises will not be

disclosed, and the true information is also difficult to obtain. The reference value is extremely limited if the risk is estimated only based on enterprise information. Information asymmetry makes financial institutions unable to accurately judge the operating conditions of small and micro enterprises, let alone evaluate their future. In this regard, the author believes that government departments need to strengthen the supervision of small and medium-sized micro enterprises, and can effectively disclose enterprises' annual financial statements from registration to daily updating, as well as all kinds of financing activities, and integrate information norms into the credit information platform. All kinds of financial institutions can obtain the true information of enterprises without previous in-depth investigation, So that all kinds of financial institutions can make a comprehensive and true judgment for pre loan investigation.

#### 2.5 Optimize the financing structure and improve the corresponding mechanism

In recent years, online finance has become the most popular topic. With the rapid development of online finance, a large number of high-quality business models and high-quality services emerge in endlessly, such as Renren loan, P2P online loan, Ali loan, crowdfunding, etc., which have had a huge impact on traditional commercial banks. At the same time, the rapid development of network finance will also provide a new way of financing for small and medium-sized technology enterprises. In general, SMEs' financing is mainly through debt financing, while equity financing channels are very scarce. The existence of crowdfunding makes it possible for small and micro enterprises to obtain equity investment. In the process of financing, small and micro enterprises can increase the publicity of enterprises and construction projects on various social media and websites to attract potential investors. Further, we can use crowdfunding to transfer part of the equity of enterprises or construction projects to obtain external capital investment, so as to alleviate the current capital pressure of enterprises. If enterprises are unwilling or unable to use equity financing, they can appropriately use various Internet finance financing methods to solve their own capital problems in the process of financing, instead of limiting them to endogenous financing and bank loans. It is worth noting that in the process of debt financing, small and medium-sized and micro enterprises should reasonably allocate the proportion of long-term liabilities and short-term liabilities, so as to maximize the time advantage of funds and avoid the pressure of too much short-term debt on the company's cash flow.

### Concluding remarks

The goal of Inclusive Finance is to serve the whole society, so that vulnerable groups such as small and micro companies can enjoy the same treatment as other enterprises. In the process of promoting the development of Inclusive Finance, the financing problems of small and micro enterprises can be effectively solved through the development of big data and other information technologies based on the network. In inclusive financing, we should promote information symmetry, improve the financing system, lower the threshold for participation, increase credit rationing, and increase financing credit. From the perspective of Inclusive Finance, we need to improve laws and regulations and provide policy guarantee; Create a credit system, provide credit guarantees and other aspects to establish more inclusive financial services to better serve small and micro enterprises and better promote their development.

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