Company name: Dalian University of Finance and Economics Research on the Impact of Digital Inclusive Finance on Corporate Financing Constraints

Liu Huihui
Dalian University of Finance and Economics Liaoning Dalian 116622

Abstract: At this stage, small and medium-sized enterprises provide an inexhaustible driving force for China's economic development, and many local governments have also issued corresponding policies to help the further development of small and medium-sized enterprises. However, many small and medium-sized enterprises still have serious constraints on financing, which greatly restricts the further development of enterprises. With the continuous development of Internet technology in China, digital inclusive finance has been widely used in China. It has an important impact on the reform and upgrading of financial institutions in the past, can greatly improve the efficiency and service quality of financial transactions, and effectively make up for the defects and deficiencies of traditional financial institutions. In view of this, this paper will analyze the impact of digital inclusive finance on corporate financing constraints and propose some strategies for your reference.

Keywords: digital inclusive finance; Enterprise financing constraints; influence

1. Analysis on the Status Quo of Enterprise Financing Constraints

1.1 Single financing channel

Generally speaking, there are two main financing channels for enterprises, namely internal financing and external financing. Internal financing mainly depends on the retained funds generated by the enterprise's own operation. However, the profitability of many enterprises in China is limited, and enterprises usually lack a lot of funds for their own development. At the same time, in the short term, the enterprise can maintain its operation with its own retained funds, but in the long term, the internal funds are difficult to meet the external development needs of the enterprise, which requires the involvement of external funds.

External financing usually refers to a financing means that enterprises obtain funds from external forces such as society and government to support their own development. External financing can also be divided into two types: direct financing and indirect financing. Direct financing can be divided into equity financing and debt financing. China's securities market started late, and many exchanges are strict about the examination of SMEs' entry into the market, which makes it difficult for many enterprises to obtain corresponding development funds through equity financing. From the perspective of debt financing, although our government has issued many policies that are conducive to enterprises' access to the debt market, many enterprises are unable to meet the requirements of debt financing due to their small size. At the same time, it is difficult to issue collective bonds, which is also a major obstacle affecting enterprises' debt financing.

From the perspective of indirect financing, enterprises usually obtain funds through bank credit loans. The essence of financial institutions such as banks is to gain benefits. Some enterprises have insufficient credit ratings and are small in scale, which makes it difficult for banks to lend to these SMEs. In order to preserve their own assets, they often raise the lending threshold for some SMEs. From here, we can see that it is also difficult for SMEs to obtain funds from external channels. They need to pay a large cost to obtain funds, which leads to difficulties and expensive financing for enterprises.

At this stage, the most important way for Chinese enterprises to finance is to borrow from banks. With the help of relevant policies, the financial market continues to increase its support for SMEs. From the overall perspective, the overall scale and structure of SMEs' access to credit loans have been greatly optimized, but in fact, the number of SMEs' access to bank loans is still relatively small, which is not in direct proportion to their contributions to China's economic development.

1.2 Unreasonable financing structure

At this stage, the irrationality of enterprise financing in China is mainly reflected in the imbalance of debt ratio and the unreasonable form of obtaining loans. In terms of the form of loans, many banks, in order to avoid risks, usually require SMEs to provide certain collateral when making loans, which leads to many enterprises' loans are obtained by means of pledge and mortgage. By the end of 2018, more than 80% of China's enterprises had provided collateral for banks when making loans. Some enterprises are small in scale. If they provide collateral to the bank when making loans, the assets of the enterprise will be further shrunk invisibly, which also increases the financing cost of the enterprise invisibly. From a long-term perspective, this is extremely unfavorable to the operation and management of the enterprise.

According to the analysis of debt ratio, many enterprises mainly use short-term loans for financing, while the number and amount of long-term loans are low, and the debt ratio is unbalanced. At this stage, when Chinese enterprises lend to banks, banks usually choose short-term loans with quick payback, and rarely issue long-term loans to enterprises, taking into account the business risks of enterprises. For enterprises, the cost of short-term borrowing is higher than that of long-term borrowing. At the same time, the shorter borrowing period is difficult to meet the long-term development plan of enterprises, which restricts the sustainable development of enterprises to a large extent.

2. The significance of digital inclusive finance to ease the financing constraints of enterprises

2.1 Reduce information asymmetry

One of the main reasons why banks do not want to lend to enterprises is that there are information communication problems between them. If we can reduce the information asymmetry between the two sides, it will greatly improve the efficiency of enterprise financing. When traditional financial institutions collect information from enterprises, they need a long time cost. These costs will be added to the financing costs of enterprises virtually, thus increasing the financing difficulty of enterprises virtually. At the same time, traditional information collection methods are difficult to help financial institutions understand the actual situation of enterprises in a more comprehensive way, and their development status and future planning are not clear enough, which will greatly affect the financial institutions' judgment of enterprises.

Digital inclusive finance mainly relies on big data technology, cloud computing and other technical means to carry out more efficient information collection activities. With the help of the Internet, financial institutions can quickly and accurately obtain the development information and various data of the enterprise. In addition to the capital flow of the enterprise, these information also include the evaluation of the enterprise by the public and customers. These scattered information can gradually help financial institutions to create a more comprehensive corporate portrait, and its accuracy will be more reliable and true than the financial information disclosed by the enterprise itself, It is conducive for financial institutions to make more accurate, accurate and rapid judgments on enterprises. With the help of digital inclusive finance, it can effectively break the information barriers between enterprises and financial institutions and reduce the degree of information asymmetry between them.

When enterprises choose financial products, they also have different degrees of information asymmetry. With the continuous development of China's financial market, many financial products appear on the market. When enterprises choose financial products, it is difficult to understand the situation of products in a short time, which will hinder the financing efficiency. Digital HP Finance can provide enterprises with a more efficient financing platform. Enterprises can find investors more quickly and conveniently with the help of digital HP Finance, which can effectively solve the problem of information asymmetry between financial institutions and enterprises and improve the power of financing transactions.

2.2 Broaden financing channels

Under the previous financial system, Chinese enterprises are often in the "tail" of the financial market due to their small scale, incomplete credit data and low level of information communication, which makes it difficult for them to obtain timely financial support and affects the financing efficiency of enterprises. Under the inclusive financial system, the government has issued many policies to encourage financial institutions to optimize and innovate their own products, so as to better meet the financing needs of enterprises. For example, Industrial and Commercial Bank of China has launched micro credit products, and Bank of China has corresponding credit products to meet the needs of enterprises. These products have enriched the content of the financing market to a large extent. With the support of information technology, all kinds of online financial companies have developed rapidly. Crowdfunding, P2P and other models have gradually emerged in the financial industry. These financing models have greatly reduced the financing costs of enterprises and greatly helped enterprises to obtain funds. On the other hand, Internet financial institutions can carry out more accurate positioning for enterprises, and they can recommend suitable financial products for them based on the actual situation of enterprise operation, which can better meet the financing needs of enterprises. From here, we can see that with the support of digital inclusive finance, the financing channels of enterprises have been further expanded, effectively solving the problem of enterprise financing difficulties.

2.3 Improve financing efficiency

On the one hand, under the preconditions of open market information and market determined prices, both the supply and demand of funds can choose the best way to carry out financing activities, so as to improve the efficiency of capital allocation. Under the previous financial system, the service quality and service level of various kinds of Jirong institutions are difficult to meet the financing needs of enterprises. By introducing digital technology, digital inclusive finance can effectively innovate the previous financial model and create a more fair and open financing platform, which can more closely connect financial institutions and enterprises and improve financing efficiency. Not only that, through the digital inclusive financial model, it can also break the time and space constraints of the original financing system, greatly improve the communication efficiency of financial institutions and enterprises, and improve the financing transaction volume.

On the other hand, the construction of credit reporting system under the digital background can effectively simplify the credit approval process of financial institutions and improve the financing efficiency of enterprises. In the context of the continuous development of digital inclusive finance, traditional financial institutions will also be forced to achieve optimal transformation and better invest in information based financial services, which plays an important role in improving the financing efficiency of enterprises and enhancing their development level.

2.4 Reduce financing costs

Under the previous financial model, the financing cost of enterprises is relatively high. The main reasons can be divided into two aspects: on the one hand, financial institutions need to spend more time and money to obtain the information of enterprises. At the same time, some SMEs have higher borrowing frequency, and the information review process of value financial institutions is cumbersome, which requires the cooperation of multiple departments. This greatly increases the financing cost of enterprises. On the other hand, some enterprises are small in scale and their credit data are not perfect, which leads to high borrowing risks. In order to avoid risks, financial institutions often charge higher interest rates, which will cause enterprises to pay a lot of financing fees.

With the help of digital inclusive finance, the financing cost of enterprises can be reduced from the following three levels. First, under the influence of digital inclusive finance, traditional financial institutions should carry out reform and optimization, constantly improve and simplify the loan approval process, improve the approval efficiency by means of information technology and other timely means, complete the optimization and innovation of credit products, and improve the efficiency of financing services. Secondly, the application of digital inclusive finance to financial institutions can further optimize the development of the service mode, from the previous manual mode to the Internet mode, which will greatly reduce the labor cost. Third, in the age of big data, financial institutions can use the Internet platform to integrate and utilize enterprise information more efficiently, and can also conduct a comprehensive evaluation of the overall operation and credit status of enterprises, which can greatly reduce the cost of information collection and improve the financing efficiency.

3. The Strategy of Digital Inclusive Finance to Mitigate the Financing Constraints of Enterprises

3.1 Improve the sense of social responsibility of small and medium-sized enterprises and strengthen their internal self-improvement

The development of enterprises plays an important role in promoting China's economic progress. At present, China's economy is in a stage of rapid development. While pursuing the speed of development, enterprises should also attach importance to the quality of development, and their behaviors will also be widely monitored by the market. On the one hand, enterprises should constantly improve their moral standards, actively participate in social construction, and contribute their own strength to social development, so as to enhance their own credit and play the role of "corporate citizen" in the market. In the development of digital inclusive finance, enterprises should make good connections with traditional financial institutions, achieve balanced development of both, and build a resource circulation system.

On the other hand, enterprises should attach importance to the planning of their own business activities, constantly improve the rationality of the use of credit funds, control their own credit level, and ensure good and stable development of enterprises, which is also the basis for enterprises to obtain sustainable financing capacity.

The internal management of some enterprises is not perfect, and there is a certain blindness and lag, which will greatly affect the development efficiency of enterprises. Therefore, enterprises should pay attention to the construction of internal supervision system, constantly improve their internal management level, actively resolve internal conflicts, avoid business risks, moral risks, etc., which can effectively reduce the external financing costs of enterprises. At the same time, good internal supervision can enhance the sense of trust between financial institutions and enterprises, and help digital inclusive finance better serve enterprise financing.

3.2 Pay attention to the application of digital technology and implement the differentiated development strategy

Digital inclusive finance can effectively make up for the shortcomings of the original inclusive financial system, greatly improve the coverage of financial products and service efficiency, and play an important role in easing the problem of single financing channels for enterprises. Moreover, the application of digital technology to the financing process can significantly reduce the financing costs of enterprises. Therefore, traditional financial institutions should actively embrace digital technology and continue to develop more high-quality financial service types and products. In addition, they should also actively try to introduce artificial intelligence technology, blockchain technology, etc., and continue to promote electronic payment, which can significantly reduce the cost of enterprise financing in each module and improve the financing efficiency. In order to meet the needs of economic differential development, financial institutions should select appropriate financing processes and evaluation methods based on the actual conditions of different enterprises, so as to simplify the financing work and improve the financing efficiency of enterprises on the premise of ensuring the level of financing risk control.

3.3 Establish a sound credit reporting system and strengthen supervision and management

At this stage, the construction of China's credit reporting system has not been improved, the existing information of lenders is difficult to meet the development needs of online lending platforms, and many departments have not yet completed information integration, which will greatly affect the development efficiency of digital inclusive finance. Therefore, the government departments should further strengthen the construction and improvement of the credit reporting system, so as to create a good market environment for enterprise financing. In the credit system, new types of enterprises should be continuously included, the number of enterprises should be increased, and the scope of information collection should be expanded, so that more enterprises can be included in the system, laying a solid foundation for the subsequent construction of the credit system. In addition, tax departments, e-commerce platforms and court departments should attach importance to information interconnection to ensure information sharing and interworking, so as to enhance the practical application value of the credit reporting system. By constantly optimizing the financing environment of enterprises, it can greatly ease the financing constraints faced by enterprises.

In essence, digital inclusive finance is still a financial activity. If we want to make it develop healthily, we must attach importance to supervision and management. To this end, the government should build laws and regulations consistent with the actual situation of digital inclusive finance, influence the development of various financial institutions in terms of policies, and promote the better flow of economic resources to vulnerable groups such as SMEs. At the same time, financial institutions should attach importance to the construction of risk assessment systems, and do a good job of identification in advance, supervision in the process, and accountability afterwards, so as to avoid all kinds of problems, so as to promote the further development of digital inclusive finance and improve the efficiency of enterprise financing.

4. Conclusion

To sum up, if we want to improve the effect of digital inclusive finance to ease the financing constraints of enterprises, we can improve the social responsibility of SMEs and strengthen their internal self-improvement; Pay attention to the application of digital technology and implement the differentiated development strategy; Establish a sound credit reporting system, strengthen supervision and management and other aspects of analysis, in order to virtually promote the efficiency of enterprise financing to a new height.

References:

[1] Science and technology finance, information asymmetry and financing constraints [J]. Ma Lingyuan, You Hang. Finance and Accounting Monthly. 2021 (14)

[2] Mitigation Effect of Digital Finance on Corporate Financing Constraints [J]. Ye Yong, Wang Sirui. Monthly Journal of Finance and Accounting. 2021 (13)

[3] How can digital finance relieve the financing difficulties of SMEs? [J] He Jian, Wei Tao, Ni Chaojun. Wuhan Finance. 2021 (03)

[4] The Future of Digital Inclusive Finance [J]. Liu Xiaochun. Modern Commercial Bank. 2021 (01)

[5] Research on the impact of digital finance on financing constraints and leverage ratio of small and micro enterprises [J]. Liang Qi, Lin Aijie. Journal of Sun Yat sen University (Social Science Edition). 2020 (06)