

Discussion on the Problems and Optimization Strategies in Enterprise Investment and Financing Decision-Making

Huiwen Xiao

Chengdu Economic Development Academy (Chengdu Economic Information Centre) Chengdu 610041, Sichuan.

Abstract: With the continuous development of China's economy, enterprises have ushered in the spring of development and achieved rapid development. In the development of enterprises, investment and financing are important capital activities, which are related to the survival of enterprises. Therefore, this paper studies and analyzes the problems in the investment and financing process of enterprises, and puts forward the corresponding optimization strategies for these problems, to help enterprises make better decisions.

Keywords: Investment and Financing Activities; Decision Making; Optimization Strategy

The introduction

Enterprises in the process of development, will make many decisions, develop strategic objectives, investment and financing decision is an important content of enterprise's decision-making, good investment can help enterprises to better economic activities, strengthen liquidity, make sure the enterprise long-term profitability and long-term development ability, is the key of the enterprise development. And the wrong investment will also cause huge economic losses to the enterprise, leading to the risk of bankruptcy. Therefore, how to carry out investment and financing activities is the top priority of enterprise development. How to make good investment decisions is related to the survival of enterprises. Therefore, enterprise managers should be good at weighing the advantages and disadvantages of various investment activities, uphold the principle of scientific investment decision-making, master the investment theory, and make correct investment and financing decisions.

As the market competition intensifies, investment and financing decisions become more difficult, and the market situation is unpredictable. How to quickly grasp the market trend and understand relevant policies is the necessary premise for enterprises to carry out investment activities. Therefore, enterprises should upgrade their decision-making methods, accurately grasp the market trend, establish and improve the investment and financing system, guide customer departments to participate in investment decisions, listen to the opinions of the majority of employees, and then make the right investment decisions. This paper studies the current situation of enterprise investment decision, points out the existing problems in the current investment decision, and puts forward solutions.

1. Overview of enterprise investment and financing

1.1 Concept of investment and financing

Investment and financing activities of enterprises consist of investment and financing activities.

Investment refers to the economic subject in current economic activities, to operate in the idle fund investment often is the necessary element of the enterprise expand economic activities, the funds tend to be idle money, this money does not affect the overall operation of the enterprise, and through investment activities, also can obtain corresponding expected return, and future risk hedging, Timely maintain the enterprise has enough funds to run, achieve long-term development.

Financing refers to an enterprise's financing behavior and process, also is the company according to its own production and

business operation condition, funds have conditions, considering the future of the business needs, negotiate with the investor actively, further raise funds, guarantee enterprises have enough money to develop other businesses, convenient later make greater economic benefits.

1.2 Purpose of investment and financing

Enterprise investment and financing activities has a certain purpose, the enterprise in the process of development, money is indispensable, and expected development phase exists asymmetry of funds, some enterprises in the development initial period, the business is not yet perfect, may be more sufficient funds, but because the business is not much, don't need so much money, so it can be the money into the investment activity, Obtain expected return on investment. When the enterprise needs to continuously expand its business, the capital is insufficient, so it can carry out financing activities to purchase corresponding equipment and expand its business scope. The purpose of investment activities is to expand the economic benefits of enterprises, expand the scale of enterprises, so that the owners of enterprises to obtain greater value.

2. Problems existing in the decision-making process of enterprise investment and financing

2.1 Information asymmetry in investment and financing process

Enterprise often has the asymmetry of investment and financing activities, the enterprise managers only provide decision-making role, ignoring the information of investment and financing activities and collection, lead to both sides of the asymmetric information, especially the demand side, tends to occupy a greater advantage, they can make better use of these funds, to do more activities, if you want to go further, These funds will be used to infringe on the activities of investors, to damage the legitimate rights and interests of the fund owners, resulting in greater risks, or even let the funds disappear and damage economic interests. Therefore, when conducting investment and financing activities, enterprises should first understand the necessary market information and the information of the other party to minimize the risks caused by information asymmetry.

2.2 Lack of risk identification and prevention ability

The investment and financing activities of enterprises are a long-term process, which involves not only the acquisition and use of funds, but also how to use these funds to obtain greater economic benefits while producing less risks. Many enterprises are small in scale. When they are developing their business, they tend to see greater economic benefits while ignoring the potential risks of investment and financing activities, resulting in various problems in the actual process of investment and financing. In particular, some small enterprises, lack of risk identification and prevention ability, blindly carry out investment and financing activities, take the wrong investment direction and investment method, resulting in the effective use of funds, not only did not bring benefits to the enterprise, but brought greater risks to the enterprise. Of course, investment and financing activities are important to the development of enterprises, but before investment and financing activities, enterprises should know their own strength, carry out investment and financing activities correctly, understand the risks, and make a prudent decision.

2.3 Imperfect accountability mechanism

Enterprise's investment activities in relation to each department, but due to the audit process is not perfect, the informationization level is low, cause the enterprise to invest in activities, only rely on experience of the management for decision, the lack of the understanding of market dynamics as well as enterprise internal control, lead to these didn't grasp the investment manager decision-making theory knowledge, lack of market orientation, Prone to wrong investment and financing activities, not only do not bring huge economic benefits for enterprises, but also bring huge financial risks, resulting in certain economic losses. In particular, the accountability mechanism is unscientific and imperfect, unable to clearly assign responsibility to people, and is quite formalistic. In the long run, it will hinder the development of enterprises.

3. Strengthen the optimization of enterprise investment and financing decisions

3.1 Increase the transparency of stock market

First of all, the transparency of the stock market should be increased. Due to the characteristics of China's investment activities, small enterprises and small investors are vulnerable groups. When investing, their legitimate rights and interests can not be protected, and they are easy to be infringed by large enterprises. Especially at present, China's asset development is relatively fast, some large enterprises have occupied a large enough market, with a large customer group small, enterprises in order to develop, they must abandon their economic interests, with large enterprises to operate cooperation, cater to some of the actions of large enterprises, which is very adverse to the development of small enterprises. And easy to cause monopoly, leading to large enterprises become the capital market leader, is not conducive to the healthy development of China's economy. So in the future of investing and financing activities, shall safeguard the rights and interests of small and medium-sized enterprises (smes), as far as possible the supervision market in a timely manner, to supervise corporate financial statements, to maintain the fairness of the market investment activity, use legal weapon to defend their own rights and interests of investment and financing decisions to ensure the rights and interests of minority shareholders and related share out bonus, guarantee of share out bonus can clear to each shareholder, to form a healthy enterprise development environment, To ensure the steady development of China's capital market.

3.2 Establish a risk prevention system

The risk of enterprise's investment activities is inevitable. In order to enhance the investment income of enterprises, it is necessary to guard against risks and establish a scientific and perfect risk prevention system, which is necessary for the development of enterprises. In investment and financing activities, enterprises should pay attention to risk prevention and economic benefits, so as to balance the two, rather than focusing only on economic benefits but ignoring investment risks. In order to achieve a more stable and safe development of enterprises, it is necessary to comprehensively consider all aspects of risk factors, prevent risk hedging, reduce the probability of risk occurrence as much as possible, actively understand the market situation, recognize the reality, consider the real strength of enterprises, so as to make scientific and effective decisions. National policy is an important reference for enterprise development. Therefore, when conducting investment activities, enterprises should focus on national policies, flexibly adjust their investment and financing activities according to the changes of policies, timely adapt to market changes, minimize risks, and perhaps certain economic benefits.

3.3 Improve the supervision and accountability mechanism

Rapid economic growth also brings social instability. High-quality enterprises will obtain more social resources and a larger market and occupy a dominant position in investment activities. In this context, large enterprises tend to have more initiative. In order to better improve the market relationship and form a virtuous circle, it is necessary to establish a sound accountability mechanism to restrain investment and financing decisions, ensure the fairness and objectivity of investment as far as possible, so that everyone involved in investment activities can be responsible for their own decisions, so as to make correct decisions. This requires enterprises to supervise department to understand the various departments in time, to carry out the responsibility system, clear responsibility indicators, further improve the investment process, in every link of a professional man is responsible, once there was a problem in which link, can directly find the corresponding head, and let its responsibility, rewards and punishments and clear.

Conclusion

The investment activity of an enterprise is an important activity of an enterprise, which is related to the future development of the enterprise. How to carry out scientific and effective investment activities is a problem that every enterprise manager should think about. This paper studies and analyzes the problems existing in the investment and financing decisions of enterprises, expounds from the aspects of increasing the transparency of the stock market and improving the accountability system, and puts forward the corresponding optimization strategies to help enterprises make better decisions and carry out reasonable financing activities.

References

- [1] Zhao BY. Research on investment and financing risks of smes [J]. China Small and Medium Enterprises,2022(04):163-165.
- [2] Jin AY. Problems and optimization strategies in enterprise investment and financing decisions [J]. Enterprise Reform and Management,2022(05):128-130.
- [3] Bai YH. Discussion on problems in investment and financing decisions of enterprises [J]. Trade Show Economics, 2021(03): 104-106.

About the author:

Huiwen Xiao(1995.12-), Master of Science, Business Analytics, Warwick Business School, Research direction: Big data, Finance, Economics.