

Financing Bottlenecks and Countermeasures of Private Enterprises in China

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Abstract: Since the reform and opening up, China's private enterprises have achieved unprecedented rapid development. However, with the expansion of enterprise scale, it is also facing a severe test. Therefore, the financing of private enterprises in this situation is worth exploring. This paper first analyzes the financing status of private enterprises in Zhejiang, and puts forward countermeasures and suggestions for the causes of financing bottlenecks in China on the basis of the financing status.

Keywords: Private enterprise; Financing bottleneck; Countermeasure analysis

1. Overview of private enterprise financing in China

1.1 Definition of private enterprises

Definition of private enterprises refers to all enterprises in China except state-owned enterprises, state-owned asset holding enterprises and foreign-funded enterprises, including individual sole proprietorship enterprises, partnership enterprises, limited liability companies and joint stock limited companies.

1.2 The development of private enterprises

Since reform and opening up for 30 years, the private economy has overcome the disadvantages of weak foundation and congenital deficiency, and has become an important part of the national economy and the most active economic growth point in the national economy. Objectively speaking, the development of private enterprises is changing from the early stage to the middle stage of development, which towards a more reasonable and scientific direction^[1].

1.3 The position and role of private enterprises in the state-owned economy

Private economy is an important achievement of the development of socialist market economy, an important force to promote the development of socialist market economy, an important subject to promote supply-side structural reform and high-quality development and build a modern economic system, and an important force for our party to govern for a long time to unite and lead the people of the country to achieve Two Centenary Goals and the great rejuvenation of the Chinese nation^[2].

1.4 The scale and financing status of private enterprises in Zhejiang

There is no doubt that Zhejiang is a big province of private economy. The development of private economy in Zhejiang belongs to the spontaneous order type of free competition of countless private self-organization subjects.

Since the reform and opening up for 20 years, Zhejiang has developed from an agricultural province with relatively weak economic foundation to an industrial province with relatively developed light and processing industries, and has become one of the fastest growing provinces in the country. After years of development, Zhejiang's individual economy has become an important part of Zhejiang's economy, which is the financial source of most cities and counties. The proportion of individual economy in many parts of Zhejiang account for a half, and the proportion of some regions even reach more than 80 %. From the point of view of the regional distribution of private economy, it has changed from the trapezoidal structure of rapid coastal development and slow inland development in the past to flourishing. The private economic strength of Ningbo, Hangzhou and other places has also caught up with Wenzhou and Taizhou. However, from the perspective of technological level, private enterprises generally have low scientific and technological content, and dominated by traditional products. Most enterprises still rely on expanding extension reproduction to develop the scale of enterprises. From the perspective of enterprise level, the development foundation and starting point of private enterprises in Zhejiang are individual industrial and commercial households^[3]. However, with the expansion of enterprise scale, the defects of the organizational system that relies on kinship have begun to be recognized by entrepreneurs. Therefore, in recent years, private enterprises in Zhejiang have begun to appear the trend of collectivization and shareholding. Due to the limitation of operation scale, private enterprises rely more on external funds for investment. Compared with state-owned enterprises, it is difficult for ordinary private enterprises to obtain funds directly from the capital market. The financing situation of private enterprises in China is generally not optimistic, which makes the public generally lack development funds. Many market development opportunities are missed, so financing has become a major bottleneck restricting the development of private enterprises.

2. Financing mode and current situation of private enterprises in china

2.1 Endogenous financing

Endogenous financing refers to the funds generated by the results of the company's business activities, that is, the company's internal financing funds, which are mainly composed of retained earnings and depreciation. It refers to the process in which enterprises continuously convert their savings (mainly including retained earnings, depreciation and fixed liabilities) into investment. Endogenous financing has the characteristics of primitiveness, autonomy, low cost and anti-risk for enterprise capital formation, which is an indispensable part of enterprise survival and development^[4]. In fact, in developed market economy countries, internal financing is the preferred way of financing for enterprises and an important source of funds.

2.2 External financing

External financing refers to the enterprise through a certain way to raise funds from other economic entities outside the enterprise. External financing includes bank loans, issuing shares, corporate bonds, etc. In addition, business credit between enterprises, financial leasing in a sense also belong to the scope of external financing. In the market economy, there are generally two ways of corporate financing: one is internal financing, and the other is external financing. External financing refers to the process of absorbing the savings of other economic entities to transform into their own investment. With the progress of technology and the expansion of production scale, it is difficult to meet the capital needs of enterprises simply relying on internal financing, and external financing has gradually become an important way for enterprises to obtain funds.

3. Cause analysis of financing difficulties of private enterprises in China

3.1 Improper selection of financing instruments

Most private enterprises follow the family-based management model, and the management system is not perfect,

or even nominal. The level of management is uneven, the direction of production and operation is not unified, and the marketing strategy is not clear, and so on. Especially, the confusion of financial management system has the greatest impact on the economic financing of enterprises.

3.2 The financing credit system and bank loan financing channels

The financing credit system is not perfect. Bank loan financing channels are not smooth. Most private enterprises to carry out economic financing channels and methods are through certain mortgages and guarantees from all kinds of banks. Banks often formulate a series of strict and harsh examination and approval conditions in order to avoid the situation that the loan cannot be recovered after lending to small and medium-sized private enterprises. It has been a long time since the loan has been carried out, which makes small and medium-sized private enterprises miss the period of excellent expansion. Guarantee financing development is not balanced. Most private enterprises to the bank to obtain economic financing are through mortgage or guarantee loans. It is difficult to obtain credit loans from banks. However, even if mortgage loans or guarantee loans are used, most small and medium-sized private enterprises are difficult to find guarantors, and banks do not allow private enterprises with general benefits to guarantee. Private enterprises with good benefits are unwilling to mortgage their own assets, fearing market risks. Enterprise financing is not exclusive. Some enterprises do not use the financing funds for the production and operation of enterprises after bank financing, but for the investment of other projects, resulting in the lack of development of enterprises, capital chain rupture, shortage of working capital, etc., enterprises eventually decline, but also can not get financial support from the bank.

4. Analysis of the solutions to the financing bottleneck of private enterprises in China

4.1 Strengthening enterprise self-construction and establishing modern enterprise management mode

If private enterprises want to break through the plight of economic financing difficulties, they must unremittingly establish scientific and standardized modern enterprise management mode. Only by establishing and improving standardized modern enterprise management mode, can they get the recognition of financial institutions, reduce transaction costs and solve the obstacles in the financing process[5]. The introduction and training of high-quality financial talents : One of the reasons for restricting the economic financing of most private enterprises is the lack of corresponding financial and financial talents in the management decision-making level of enterprises. In this regard, enterprises can set up special funds to hire and cultivate high-quality financial and financial talents suitable for the development of the company according to the actual development needs of the company. The concept of all-round financing needs to be established. The economic financing of private enterprises is often based on new projects or the expanding of production scale and operation, and the emergence of market opportunities is often short-term. Whether it is to obtain new projects or expand the scale of production and operation for the benefit of enterprises, it need a lot of financial support, and enterprises at this time do not have sufficient capital reserves. It is difficult to obtain a certain amount of economic financing in a short period of time, which requires enterprises to establish a comprehensive concept of financing, capitalize their own resources, and increase the efficiency of capital use.

4.2 Strengthening government support

The government's support policy for private enterprises is a strong backing to ensure the development of private enterprises and enhance their economic financing. The government can help private enterprises to carry out economic financing and expand production scale by increasing the assessment and reward of banking financial institutions, building a financing information docking platform, increasing support for the listing of small and medium-sized enterprises, establishing local financial holding groups, and promoting economic financing of private enterprises. In

addition, it is necessary to establish a regulatory system suitable for the development of the private financial system, and actively improve the corresponding regulatory regulations and systems to promote the steady development of the private financial system.

4.3 Standardizing and guiding the financial

market It needs to eliminate the discriminatory treatment of private enterprises in the main board market, and implement the examination and approval system at the same time. As long as it is in line with the relevant laws and regulations and policies of high-quality private enterprises can enter the capital market, which not only brings fresh blood to the development of the capital market, more importantly, the capital market's principle "just, fair and open" is reflected. At the same time, the state should also actively create conditions for private enterprises to be listed in the second board market and provide a stage for private enterprises with potential financing.

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