The Impact of Financing Ability on Sustainable Development of Enterprises

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Abstract: In the past three years, the COVID-19 epidemic and other factors have made the market competition particularly fierce, and enterprises have been affected in large and small ways. Based on the development of enterprises, financing ability has become the key concern of all enterprises. Financing ability is reflected in whether they can continue to obtain high-quality capital, which also determines whether enterprises can develop rapidly and sustainable in the future.
Keywords: Financing Capacity; Sustainable Development; Debt Financing

Introduction

For the development of an enterprise, capital is its basic element, but also to create good performance and achieve sustainable profits. The financing ability of enterprises includes equity financing and debt financing ability. In recent years, more and more scholars are committed to studying the impact of financing ability on enterprises' sustainable development ability. Most of them are from the aspect of debt financing, but the conclusions are not consistent. Whether sustainable profit is related to the long-term survival and sustainable development of enterprises. Improving debt financing ability, expanding debt capital, and thus increasing working capital can solve financing constraints and make the company sustainable profit. It can be seen that the enhancement of debt financing ability will promote the sustainable profitability of enterprises, and sustainable profitability is a process of continuous cultivation. However, the company has a certain period of operation, and the financial indicators lag behind, that is, the debt financing ability is certainIs through a certain influence and subsequent effect on the enterprise, and then improve the sustainable profitability of the enterprise.

Financing constraint has always been a problem that disturbs the development of enterprises. Improving financing ability is undoubtedly the core of the problem for enterprises to consider. There is an inevitable relationship between financing constraints and sustainable development of enterprises, which requires us to pay attention to two problems. First, whether enterprises have significant financing constraints; Second, whether the financing constraints have an impact on the sustainable growth of enterprises. It is good that enterprises pursue continuous growth, but we should pay close attention to whether the growth is moderate and whether the enterprise can achieve sustainable development. Financing constraints also have two sides to the development of enterprises. On the one hand, they can promote the sustainable growth of enterprises, and on the other hand, they can restrict the sustainable development of enterprises.Therefore,the corresponding policy should be improved, first supervision should be strengthened, restraint and regulation of the securities market, there are still imperfections in our securities market, especially in the financing we focus on, many enterprises make up financial statements to obtain financing opportunities, and then the stockholder restraint is not enough, should enhance these aspects to improve. The second is to promote financial deepening and photonization. The financial market should be multi-level, such as the bank market, securities market, bond market to be comprehensive. At the same time, all enterprises should be taken care of. For example, at the beginning of the establishment of Chinese securities market, mainly serving state-owned enterprises, it should also open a wide space for small and medium-sized enterprises and private enterprises. Financial market to deepen and expand financial and financial innovation. Banks prefer large enterprises, while small and medium-sized enterprises find it difficult to obtain sufficient financial support, resulting in the problem of difficult and expensive financing. The non-standard and mutual guarantee of private lending increases financial risks. We should constantly improve the financial system and financial marketization[1].

Research on debt financing mainly focuses on loans from banks and other financial institutions, which is also a way for enterprises to raise funds and a governance tool. Short-term debt can, to some extent, regulate the business behavior of enterprises, reduce agency costs and restrict their investment, so as to reasonably avoid business risks. Short-term debt financing has a significant negative effect on agency costs, while long-term debt financing is not necessarily. Agency costs can be reduced when commercial credit and bonds are issued. However, the size of the company will also have a certain impact. If the concentration of equity is too large, the agency cost will increase correspondingly. Short-term liabilities inhibit free cash flow, while long-term liabilities contribute to free cash flow and thus reduce corporate performance. In addition, commercial credit and bond financing will also inhibit free cash flow, that is to say, the increase of short-term debt can improve enterprise performance to varying degrees, while the impact of long-term debt on enterprise performance is not obvious. Therefore, for enterprises, debt financing can be considered as far as possible or appropriate to increase the proportion of debt financing. In addition, financing structure can also play a good governance effect, improve the performance of the company, which is conducive to the sustainable development of enterprises. Commercial financing plays an important role in promoting the sustainable development of enterprises. Compared with the traditional bank loan, this special financing method is simple and efficient. Commercial credit can ease the financing constraints, enhance the investment level of production, so as to improve the efficiency of enterprises, promote the sustainable development of the enterprise[2].

The higher the financing capacity, the greater the financial flexibility will be improved to a certain extent. The level of financial flexibility can affect the efficiency of business decision-making, and then affect the sustainable development ability of enterprises. Therefore, it is believed that the financing ability can affect the relationship between financial flexibility and sustainable development ability to a certain extent. ZALL group focuses on the role of financial leverage from the perspective of debt financing ability. The study shows that financial leverage plays a two-way role in the sustainable development of enterprises, which requires enterprises to grasp the balance between financial flexibility and financial leverage from the actual situation, so as to promote the sustainable development of enterprises. JIN group conducts research from the perspectives of endogenous and exogenous financing, and believes that endogenous financing is significantly correlated with net profit and positively correlated with the growth rate of operating revenue. External financing is negatively correlated with net profit. This also indicates that the best financing method is endogenous financing, but most enterprises are not strong in endogenous financing ability due to the limited scale and profit invested in sustainable operation. Support for corporate debt financing can effectively help enterprises expand the scale of operations and promote their sustainable profitability[3].

Different types of enterprises have completely different financing abilities. Compared with large enterprises, small and medium-sized enterprises show their defects. First of all, fixed assets are insufficient. At present, in order to avoid risks, financing activities increasingly tend to be asset-based, especially long-term financing, mortgage and guarantee increasingly common. For our small and medium-sized enterprises, the proportion of fixed assets is on the low side, and thus the medium - and long-term loan financing is more difficult. The small scale of financing limited the development of smes. Second, the liquidity ratio is low. The fixed assets ratio of small and medium-sized enterprises is low, but also far lower than the current assets ratio. Due to the shortage of fixed assets, the financing of small and medium-sized enterprises is mainly short-term financing. It can be imagined that compared with large enterprises, small and medium-sized enterprises face a great risk of capital immobility, which restricts the rapid and sustainable development of enterprises. Finally, the structure of current assets is unreasonable. Different composition of current assets affects the realization ability of current assets, which reflects the short-term financing ability of enterprises. The survey shows that the ratio of inventory and receivables of small and medium-sized enterprises is higher than that of large enterprises, so the short-term financing ability is weaker. To sum up, smes face great adjustment in improving their financing capacity, which also requires enterprises to make great adjustment according to their own conditions. They can adjust their financing capacity by expanding financing channels, establishing a sound capital market, establishing venture capital funds and other measures. With the continuous improvement of the socialist market economic system, private enterprises have a good environment and broad market. But the shortage of funds, financing difficulties restrict the development of private enterprises. First of all, private enterprises are inherently deficient. Private enterprises are small and scattered, and diversified forms of operation and organization cause confusion of financial statements, which leads to bank loan difficulties. The product varieties and sales channels of private enterprises change greatly, and are greatly affected by the market and environment. Once the market and operating environment change, some private enterprises will face collapse. Many private enterprises do not speak credit, credibility is not enough, overhang and evasive debt, resulting in financing difficulties. The second reason is that private enterprises are not their key customers for banks to avoid risks for their own interests. Therefore, to solve financing difficulties, private enterprises should first set up correct concepts to guide private enterprises, such as the concept of equality, multi-channel financing and credit concept. Secondly, private enterprises should standardize their own operation to create good internal conditions. Finally, all levels should enhance the understanding that supporting the development of private enterprises is beneficial to their own development.

The essence of capital is an important enterprise resource. Enterprises with strong financing ability can cultivate unique ability that is difficult to be copied. Such unique ability is often an important source of sustainable competitive advantage of enterprises.At present, the market competition is fierce, enterprises are facing great challenges. Financing ability affects the situation of available funds of enterprises. The enhancement of financing ability in the current period will also correspondingly improve the market value of enterprises in the current period, and correspondingly promote the sustainable development ability of enterprises in the future, thus affecting the ability of financial flexibility to sustainable development of enterprises. Therefore, enterprises should pay attention to improving their financing ability, so as to promote their sustainable development.

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