Influence of innovative financing methods on enterprise development

Zhen Wang
East China Jiaotong University, Nanchang, Jiangxi 330000, China;
Nanchang Institute of Science of Technology, Nanchang 330108, Jiangxi

Abstract: since the reform and opening up, China's economic development has ushered in a golden period. Small and medium-sized enterprises have also emerged in the process of rapid economic improvement, and play a key role in the national economy and social development. To some extent, small and medium-sized enterprises can still play a great role in China's current and future economic development. However, in the process of rapid development, small and medium-sized enterprises are also facing some difficulties and problems, among which the financing problem is a major bottleneck for the development of small and medium-sized enterprises. This paper mainly expounds the impact of SME financing on the development of enterprises, introduces the current main financing methods of SMEs, and puts forward specific methods of innovative financing methods, so as to provide reference for the industry.

Key words: innovation; Financing methods; Enterprise development

Small and medium-sized enterprises play an important role in the national economy. As the main force to ensure the market and employment, the importance of supporting the development of small and medium-sized enterprises is self-evident. A general rule is that where SMEs develop well, the economy is good. Dynamic small and medium-sized enterprises and diversified and differentiated economic ecology are the most important guarantee for China's economic resilience. However, with the slowdown of economic growth, the domestic market has entered the era of alchemy from the gold rush era, and the market economy has entered the era of high-quality products, which is a huge challenge for small and medium-sized enterprises. Therefore, in the current era, small and medium-sized enterprises are facing greater survival pressure. Therefore, small and medium-sized enterprises are facing huge financing demand. In recent years, the number of small and medium-sized enterprises has maintained a growth rate of 7% to 8%, so the development of small and medium-sized enterprises has formed a large amount of capital demand. Therefore, innovating financing methods is also the premise for the rapid development of small and medium-sized enterprises.

1. The meaning of SME financing

Financing is referred to as financing for short. For the financing itself, there are micro and macro. From the micro perspective, financing refers to the behavior of raising funds for development in the operation process of enterprises, which can also be called the behavior of financing to maintain the operation state and expand the scale during the operation of enterprises; From a macro perspective, financing refers to the flow of funds between different holders, and the economic behavior of the party with sufficient funds to make up for the shortage of funds. It is a two-way interactive process in the circulation of funds, which can also be called the source and use of funds. For enterprises, the essence of financing is the process of capital appreciation and optimal allocation.

In enterprise financing activities, there are generally two ways, one is internal financing, the other is external financing. Endogenous financing is the fund raised by the company, and it is also the fund after the company obtains profits from operating activities. Such financing methods include depreciation fund, internal fund-raising and retained earnings of enterprises. The characteristic of endogenous financing is that it is within the inherent scope, and the amount of financing is based on the scale of enterprise development, because this kind of financing method will not affect the capital control and ownership of enterprises, so this kind of financing method is relatively easy. Compared with internal financing, external financing is more flexible and has more ways. External financing is the behavior of enterprises' financing from other external economic entities through specific means. With the increasing monetization and securitization of the current market economy, external financing has gradually become an important way for enterprises to obtain external funds.

2. Analysis of current financing methods of small and medium-sized enterprises

2.1 Analysis of endogenous financing methods

There are three ways for endogenous financing to obtain funds, which are: first, the accumulation of funds in enterprise operation activities; Second, idle funds not needed temporarily in the process of enterprise operation; Third, internal fund-raising. In the process of financing, small and medium-sized enterprises in China are dependent on endogenous financing, which is also the characteristics of small and medium-sized enterprises in financing. For small and medium-sized enterprises, endogenous financing has many advantages, such as low financing cost and strong flexibility, but endogenous financing has greater risks. Taking Japan, which currently has a relatively complete international financing system, as an example, among the financing composition of Japanese enterprises, endogenous financing accounts for a relatively small proportion, while external financing accounts for a relatively large proportion, but China is on the contrary. The funds of endogenous financing mainly come from the self accumulation of investors, the personal accumulation of employees, the accumulation of enterprise operation and the borrowing of relatives and friends. The sources of funds are few and the amount is low, which can not give full play to the role of debt leverage. If there is a problem in terms of funds, it will cause a series of impacts, and the operation of enterprises will also be affected, The opportunity for business owners to turn over is also small.

2.2 Analysis of external financing methods

1. direct financing

External financing mainly includes direct financing and indirect financing. Direct financing means equity financing, bond financing and venture capital fund financing that enterprises obtain funds from the capital market. In the context of the current market economy, enterprises have a greater demand for the use of funds. Traditional financing methods use banks as intermediary structures. However, in the development of the new era, enterprises can bypass banks through specific means and use equity financing, bond financing and venture capital fund financing to finance from money owners. At present, the proportion of direct financing in China is still at a low level, which also means that there is huge room for development.

2. indirect financing

Indirect financing methods mainly include bank loans, guaranteed loans by guarantee companies, loans from small loan companies, financial leasing, bill discount financing, pawn financing, etc. Indirect financing is the flow of funds from surplus to shortage mainly through some financial institutions acting as credit media. Funds have the ability to provide financing for enterprises indirectly through financial institutions. In this process, the addition of financial institutions has made up for the shortage of funds, widened the sources of funds, and greatly reduced the investment risk. Generally speaking, the financial structure gathers idle funds from all walks of life and invests them in projects that have been carefully evaluated. Dispersing the risk of investment is of great benefit to enterprises and projects that need funds.

3. Influence of innovative financing methods on enterprise development

3.1 Innovate financing channels to help enterprises develop

1. joint loan and guarantee

Small and medium-sized enterprises will encounter difficulties in financing loans because they do not have a high credit rating, nor Qualified collateral and collateral. At present, some banks have launched the financing loan mode of “joint loan and guarantee” in response to this phenomenon, which fundamentally solves the problem of financing difficulties for small and medium-sized enterprises. “Joint loan and joint guarantee” refers to the free combination of 3-7 enterprises, which jointly apply for loans from banks as a consortium. The loan does not require collateral, but each borrower shall bear all joint and several liabilities for the bank loans of other people in the consortium. According to the author’s survey, most owners of small and medium-sized enterprises are very satisfied with this financing method, because this financing method is convenient and fast compared with the traditional financing method. In addition, there is no mortgage and pledge, which also reduces the procedures for bank evaluation and implementation of mortgage and pledge, and shortens the time for financing, which also brings more development opportunities for small and medium-sized enterprises. In terms of repayment, small enterprises can not only repay the principal in one time, but also repay the principal in installments. It has played a great role in seizing business opportunities and bringing the dead back to life. In short, this innovative way of financing, starting from the enterprise’s own demand for funds, has solved the cumbersome steps in the financing process, directly hit the core of the enterprise’s development, and fundamentally helped the good development of the enterprise.

2. revolving credit helps enterprises develop

During the daily operation of small and medium-sized enterprises, there will be a continuous demand for funds. Therefore, in response to this phenomenon, some banks have opened “revolving credit” to meet the demands of small and medium-sized enterprises in terms of funds. Among the revolving loans, the approved amount and duration can allow the borrowing enterprises to withdraw and return the loan one by one. The key advantage is that the capital can be used by enterprises in a circular way. Revolving loans have also become a powerful way for SMEs in innovative financing. During the credit period granted by the bank, the borrower can sign the maximum amount of financing contract and other relevant contracts with the bank. During the maximum amount of 20million yuan and the validity period specified in the contract, the borrower can use the funds for many times, and can also repay one by one, so as to give full play to the value and role of a fund in enterprise financing, and the revolving loan does not need to be repeatedly approved, For small and medium-sized enterprises, this flexible repayment method is conducive to the financial pressure of link enterprises. In short, as an innovative channel for enterprise financing, revolving credit can not only reduce the tension of enterprise operating funds, but also take various forms to save financial costs, recycle funds, reduce the occupation of funds, and promote the healthy development of enterprises.

In addition to the joint loan, joint guarantee and revolving loan, there are also relay loan, value-added loan, fast loan and other financing methods that can be provided to enterprises. When enterprises innovate financing methods, they must pay attention to the financing channels and the choice of financing methods, and refer to their own development situation to choose the most appropriate financing method, which can reduce the dedication of enterprise operation and promote the long-term development of enterprises.

3.2 Financing strategies at different stages of development

There are huge differences in the financing methods and amounts required by enterprises at different stages. The stages of enterprises can be divided into start-up enterprises, growth enterprises, mature enterprises and declining enterprises. In different development periods of the enterprise, there are different needs in terms of capital. Here, the enterprise controller and senior management need to understand the development status of the enterprise in real time, and take the needs of different stages as the starting point, so as to achieve innovation in financing and make the enterprise develop rapidly.

At the start-up stage, the financing mode also depends on the internal financing mode, which is mainly invested by shareholders. At this stage, it is difficult for enterprises to seek external financing; In the growth stage, the enterprise has completed the start-up period, started to enter a stable profit stage, and has been in full swing in operation. Therefore, the financing at this stage is divided into internal financing and external financing. Through the investigation of enterprises at this stage, the author found that the most suitable financing mode for enterprises at the growth stage is equity financing; The financing strategy of mature enterprises is mainly external financing, especially bond financing. According to the survey data of the author, the average debt ratio of mature enterprises is 36.4%, and the proportion of operating liabilities in total assets is 13.2%. In terms of equity financing, mature enterprises will realize financing by issuing additional shares or optimizing the allotment of shares, making efforts from both equity and debt, so as to realize the steady development of enterprises; During the recession, the financing mode of enterprises is still internal financing and external financing. At this stage, enterprises have been unable to complete financing by issuing additional cash dividends, and the debt began to rise, which depressed the financing space of enterprises. At the same time, they will also encounter some resistance in external financing, and the financing form is relatively severe. From the perspective of stages and the development of enterprises, enterprises in recession should take bond financing as the main starting point to realize the strategic development of enterprises.

In addition, enterprises should also make some innovations in the management of financing in the process of development, effectively control the capital management of financing projects, pay attention to the degree of fit between financing methods and the economic environment, control financing risks, manage funds well, and use the effective value of funds. For enterprises, financing has a life cycle. Healthy and reasonable financing can promote the rapid development of enterprises, gradually reduce the proportion of enterprise financing in the development strategy, and let enterprises enter the ideal operation state.

To sum up, in the process of development, enterprises should always pay attention to the changes in the financial market. Through the implementation of diversified and innovative financing strategies, they should expand their own financing ability and obtain capital injection behavior to promote the strategic development process of enterprises, put the safety of funds in the first place of enterprise operation, and ensure the maximization of financing benefits through standardized and institutionalized management, Promote the sustainable development of enterprises under the new situation.

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