Financing Dilemma of Minor enterprises in Post-epidemic Era and Its Suggestions -- Taking Wuhan City as an Example

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Abstract—Minor enterprises have made an indelible contribution to economic development, while financing has always been a problem hindering the sustainable development of them. Under the influence of the epidemic, the business environment of minor enterprises has changed, and the financing demand has also changed. However, the degree and scope of assistance are limited. There is a contradiction between supply and demand in fund allocation. Based on this, this project puts forward policy suggestions by studying the changes of financing demand and fund supplier of minor enterprises in Wuhan in the post epidemic era, which will help to solve the financing difficulties and promote healthy and sustainable development of the national economy.

1 THE FINANCING DEMAND OF MINOR ENTERPRISES

1.1 Minor enterprises financing difficulties

According to the statistics of the Ministry of Industry and Information Technology, the financing needs of 33% of medium-sized enterprises, 38.8% of small enterprises, and 40.7% of small and micro enterprises in China cannot be met. The financing gap is as high as 1.9 trillion US dollars, and the financing gap rate is 43%. The development of a large number of minor enterprises is restricted by financing conditions. Due to the impact of COVID-19, a long period of the shutdown has brought huge operating pressure to minor enterprises. Minor enterprises with relatively small enterprise-scale and single industrial structures are generally faced with the problem of capital cut off. Under the comprehensive influence of many factors, the financing situation of minor enterprises is not optimistic. As the worst-hit area of the epidemic, Wuhan has introduced a series of preferential policies in financing interest rate, credit, bills, and other aspects, but the development of minor enterprises is still restricted to a certain extent, and financing difficulties still exist.

1.2 Minor enterprises have high operating risks

According to the statistical analysis of minor enterprises in Wuhan, the survival period of minor enterprises is generally short, with an average of 2-5 years. According to life-cycle approach, any product should experience the product of any industry period of investment, growth,

maturity, and decline period 4 stages. In different stages of the industry cycle, the degree of difficulty of enterprise management is different, and the strategy adopted by enterprises should also be selected.[1] Most minor enterprises are in the early stage of development, in the organizational system, business system, regulatory system, and other aspects are in the early stage of constant development and change. In terms of organizational systems, minor enterprises have not been established for a long time, their internal governance system is not clear, and they have not established a complete set of business development direction, information disclosure mechanism, and financial management system. Without a sound business system, the long-term survival of the enterprise cannot be ensured. The backward and imperfect information disclosure mechanism leads to the failure of enterprises to provide the true information needed for bank credit approval. Poor financial management, on the one hand, could not provide tax information and other loan information, on the other hand, could not guarantee that the financing amount was used in a prescribed way. However, some minor enterprises are private enterprises, and the governance situation is more chaotic. False financial information and embezzlement of public funds also occur from time to time. According to the National Development Institute, in February, in Zhejiang, Henan, and other areas seriously affected by the epidemic, the operating rate of enterprises was relatively low, such as Zhejiang, which was less than 10%. After May, Zhejiang's return to work rate reached more than 90%. the proportion of employees returning to work in most enterprises has reached 76% - 100% after May, but the proportion of business turnover recovery is mainly distributed in the range of 26% - 100%, with an average of 55%. In addition, enterprises are also faced with problems such as logistics obstruction, shortage of raw materials and workers,

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insufficient demand, industrial chain rupture, and so on, which make the financial information of minor enterprises more difficult to meet the requirements of banks.

Fig. 1. IMF Global Financial Stability Report

2 Capital supply is relatively weak

2.1 Policy helps to reduce the financing cost of enterprises exists temporarily

There are three main types of assistance policies in Wuhan during the epidemic period. Special refinancing in mid and late February 2020 is the first batch of anti-epidemic loans promoted by the state, mainly to help key enterprises related to the prevention and control of the epidemic, such as the pharmaceutical industry, mask production, medical services, etc. The second type of loans, which started in mid-March and ended on March 31, were issued through the "hanrongtong" online comprehensive service platform undertaken by Wuhan Local Financial Bureau. The first batch of targeted to the manufacturing industry, the upper limit of interest subsidy for each 30 million, the second wave is to other industries, each 10 million, 100% discount. In addition, to reduce the repayment pressure of minor enterprises, it is necessary to postpone the repayment of minor enterprises due during the epidemic period. Generally, a grace period of more than half a year is given. Taking the Bank of Hubei as an example, in 2020, there will be 8529 small and micro inclusive loans with an amount of 3.683 billion yuan of deferred principal repayment, 3938 small and micro inclusive loans with an amount of 215 million yuan of deferred interest payment and 5.542 billion yuan of corresponding loans.

It is true that policy assistance can solve the urgent needs of minor enterprises in the short term, but the threshold is higher and the duration is shorter, and the effect is limited in the long run. The support policy aims at solving the short-term problems under the epidemic situation, and its preferential effect gradually weakens, which cannot solve the long-term financing problems of enterprises.

2.2 Lack of bank lending motivation

Because of the particularity of business nature and business objectives, banking financial institutions attach great importance to risk management and control. To reduce the non-performing loan rate, they are more cautious in choosing enterprises to issue loans. [4]

According to the white paper "financial services report of China's small and micro enterprises (2018)", by the end of 2018, the non-performing rate had reached 6.2%, and by the end of May 2019, it fluctuated slightly to 5.9%. It can be seen that the non-performing rate of small enterprises is still high. The survival and development of minor enterprises are facing greater challenges. Many enterprises' capital chain breaks, resulting in a sharp increase in bank loan non-performing rate. Minor enterprises in Wuhan have issued a series of rescue policies, but to avoid risks, banks are more cautious in the approval process of enterprise loan applications, and more inclined to minor enterprises with long-term cooperation.

2.3 The radiation range of inclusive finance is limited

Under the guidance of the policy, Wuhan Bank has developed a series of products, such as "Anti-epidemic Loan", "Talent Anti-epidemic Loan", "Sunshine E Micro Loan" and so on. Product diversification has played a positive role in economic recovery after the epidemic. In essence, there are certain limitations, and it cannot well alleviate the overall financing difficulties.

"Anti-Epidemic Loan" is a credit product launched by major banking institutions against the background of the epidemic. It refers to the business of providing exclusive credit support for enterprises producing medical supplies for epidemic prevention and control, enterprises producing daily supplies, key hospitals, as well as minor enterprises providing direct services to the above-mentioned enterprises and public institutions. These exclusive loans are rich in innovation, but for fewer customers, most enterprises cannot cover. "Sunshine E Micro Loan" and other products shorten the approval time and reduce the approval procedures, but its core audit indicators are single, for example, many products take tax as the index, not rich enough. And many minor enterprises' growth, efficiency, and other comprehensive indicators have not been considered, and only more tax enterprises can get loans, the trial Angle is not comprehensive enough.[5]

2.4 The evaluation methods of financial platforms are traditional and not comprehensive

To promote financing in the post-epidemic era, to protect the privacy and information security of enterprises, and to alleviate the information asymmetry between enterprises and financial institutions, Wuhan Local Financial Work Bureau led the establishment of "Wuhan Enterprise Financing Matchmaking Service Platform" ("HanRongTong"). During the trial operation, 116 financial products have been provided, 227 branches have accepted enterprises' financing applications online, 198 enterprises have entered, and the total amount of financing has reached 256.39 million yuan. The platform fully uses any feasible data information to reduce the threshold of the corporate loans, the way of guarantee is diversiform, but for the evaluation of enterprises more traditional, "mortgage" is still the primary way of lowering interest rates of mortgage-backed loan product rate is higher, many

only light assets of the enterprise can't get preferential interest rates. At the same time, it should be noted that enterprises that can use the Han top platform are recommended by each park and each bank and reviewed by the Municipal Development and Reform Commission. To some extent, the platform does not cover all companies in need of bail-outs, and there are many more companies in need of bail-outs that do not reach the threshold and are barred from the platform.

3 SOLUTIONS

3.1 The three parties should work together to solve the problem of supply and demand

Generally speaking, the contradiction between supply and demand in the financing process of minor enterprises in China is caused by the enterprises themselves, financial institutions, the government, and other aspects. Therefore, the solution of relevant problems should be based on the joint efforts of the three parties and start from the following perspectives.

3.1.1 Government

We will deepen information sharing platforms led by the government and in cooperation between enterprises and financial institutions to achieve full coverage of enterprises. To solve the problem of information asymmetry between banks and enterprises, the government should take the lead and integrate and publish information related to enterprise credit and financing demand information of enterprises using big data on the premise of ensuring data security. In this way, the accuracy of financing risk assessment of financial institutions can be improved, and the precise docking between the supply and demand of funds can be realized, enhance the credit of information and facilitate the financing of minor enterprises.

We will improve the risk compensation mechanism and guarantee mechanism. According to the current situation, the Chinese government must intensify efforts in supporting minor enterprises, further improve the relevant legal system, strengthen credit policy support, increase resource allocation, optimize performance assessment, stimulate endogenous motivation, enhance service awareness, and improve efficiency and ability of business processing.[6]

Relevant departments should actively explore cooperation with financial institutions by the government of risk-sharing mechanism, setting up relevant guarantee program, through fiscal, tax, and other preferential policies to reduce financial institutions in the process of minor enterprise financing risk and loss, encourage financial institutions to act to make loans to the compliance of the minor enterprises, financial institutions business vitality.

3.1.2 Bank

Traditional banking products are backed by credit data, but there are limitations. Banks can develop transaction-

related loan products. For example, they can cooperate with industrial and commercial departments and take the enterprise's per capita business volume and business growth rate as the evaluation criteria. We can also investigate the production data of electricity and water consumption of enterprises, develop products from many aspects, and adopt more scientific methods to reach more high-quality enterprises.

Innovate evaluation methods, multi-angle and all-around evaluation. The traditional bank mortgage is mainly based on real estate, but in today's transformation from asset-heavy to asset-light, intellectual property is becoming more and more important, and the status of cultural and cultural creation is rising. Banks can start from asset-light, such as replacing "property right" with "copyright" and including cultural asset-light into collateral, to ease the financing difficulties of enterprises.

3.1.3 Enterprise

Minor enterprises do not simply rely on external policy requirements, but from the perspective of development, from the internal reform to improve the system. The managers of minor enterprises should establish a sense of integrity, improve the level of internal management, avoid the occurrence of false accounts and false statements, and fundamentally eliminate the behavior of information fraud. Actively promote the digital transformation and upgrading of minor enterprises, with the support of the new generation of information technology and application, make full use of online office, financial management, collaborative development, and other products and solutions to achieve digital operation management. Continuous improvement of the enterprise management mechanism, innovation of management concepts, improve the enterprise financial system and performance appraisal system, the comprehensive establishment of a set of internal control mechanisms, to minimize adverse selection and moral hazard caused by the impact.

3.2 Innovate financial forms and develop Internet finance

As the epidemic has changed the lives of residents in Wuhan, from "cloud" New Year greetings, "cloud" classes to "cloud" supervision, the Internet model coincides with the health concept of keeping a safe distance under the background of the epidemic. In the context of the epidemic era, the financing model of Internet finance, relying on modern technologies such as big data and cloud computing, can effectively solve the problem of information asymmetry between lenders and borrowers. With the continuous development of modern information technology, Internet finance has become the mainstream of modern economic development and important technology to comprehensively promote the continuous development of enterprises. At present, Internet financing has already had financing modes such as Alibaba Small Loan and Internet Crowdfunding, which has also alleviated the financing difficulties of minor technology-oriented enterprises to a certain extent.[7]

While innovating financial forms, supervision should also be improved to clarify the use of funds. High-yielding but illegal industries such as usury should not be involved to attract customers, to establish a good competitive market.

4 CONCLUSION

Finally, to solve the prominent problems found in the survey, this paper puts forward relevant suggestions for enterprises, banks, and regulatory authorities, and summarizes the innovation direction that is conducive to the healthy development of the financial market and the stable growth of minor enterprises. Through the above efforts, the financing environment of minor enterprises in China will be improved to a certain extent, and help minor enterprises break through the financing dilemma.

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