

Study on Fiscal Policies for Small and Micro Enterprises under the Economic Crisis

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Abstract: Small and micro enterprises are a category of enterprises consisting of small and micro enterprises, small businesses, family workshops and individual households. Micro and small enterprises can effectively provide employment opportunities and promote income growth, and are considered to be a "stabilizer" for building a harmonious society, which is of great significance to economic and social development, especially for our developing country in transition. However, because of the inherent defects such as less fixed assets, lower technology level, higher production cost and weaker pricing negotiation ability, the anti-risk ability and survival and development ability of MSMEs are significantly different from those of large and medium-sized enterprises. Therefore, how to construct and improve the support policies suitable for the development of MSMEs has been put on the government's agenda. This study attempts to study the government support policies for MSMEs in China against the background of financial crisis, using finance as the entry point.

1. Introduction

Small and medium-sized enterprises play an irreplaceable role in solving surplus rural labor, achieving technological innovation, promoting local economic development and maintaining the harmony and stability of ethnic areas. However, due to their congenital malnutrition, lack of capital and technological support, SMEs often face the risk of "premature death". In the current financial crisis, the state has the responsibility and obligation to use public financial instruments to provide financial support for SMEs to help them overcome the crisis and promote their overall development.

2. Concept of fiscal policy for micro and small enterprises

Fiscal policy is a set of financial instruments used by the state to achieve a specific social and economic development purpose. According to its adjustment objectives, fiscal policy can be divided into two main categories: macro and micro. Macro-financial policies take economic aggregates as the object of their regulation and aim to achieve overall balance, especially the balance of aggregate social demand, so as to iron out macroeconomic fluctuations. Macrofinancial policy takes a sector, an industry or an enterprise as the object of its regulation, with the aim of achieving balance or improving the advanced structure of the economy. In order to achieve this goal, macro-fiscal policy

generally follows the principle of differentiated treatment by giving supportive policies such as financial subsidies and tax incentives to industrial sectors or enterprises that need to be encouraged to develop, while adopting suppressive policies such as heavy taxes on industrial sectors or enterprises that need to be restricted to develop. Compared with macro fiscal policies that emphasize short-term regulation and demand management, fiscal policy for MSMEs is basically a long-term supply-side management policy [1].

3. Third, the economic importance of micro and small enterprises

(1) With their large number and wide distribution of industries, small and micro enterprises are the main drivers of China's economic development. First of all, a small business has less start-up and operating costs and has better market adaptability. In addition, it has a more flexible mode of operation. In the way of production and operation, small and micro enterprises organize their production and operation in their own peripheral scope, without a systematic production chain model. In terms of marketing, we adopt our own production approach and focus on the local market. With the scale of production and assets of small enterprises, it is almost impossible to sell products to multiple cities, let alone export them. According to the China Small and Micro Enterprises (SMME) and China Family Finance survey, China's SMMEs have been growing rapidly in recent years. The role of MSMEs in the national economic system is becoming more and more prominent, and they are gradually becoming a vital force in the national economic system. Micro and small enterprises are an important part of China's economic development, and their scale is growing continuously. In most areas of China, SMEs have become an important economic force and an important source of fiscal revenue [2].

(2) Small and micro enterprises are mainly labor-based and require a larger number of employees, which in a sense widens the employment channel. Achieving full employment is the basis for achieving social stability, and the development of small businesses plays a positive role in promoting employment. Many of the problems that can be solved by mechanization in large enterprises need to be solved by manual labor in small and micro enterprises. Therefore, more labor is required for the same amount of capital compared to this, which makes micro and small enterprises an important channel for employment. In terms of net capital per capita, micro and small enterprises absorb much more employment than large enterprises for the same capital investment. The employment rate per unit of investment and the elasticity of labor employment per unit of output are higher for micro and small enterprises than for other enterprises. That is, when investments are the same, micro firms create more jobs than large firms. In our country, micro and small enterprises are the main channel to solve employment problems such as urban employment and rural labor surplus. In our country, 70% of the urban population and 80% of the rural population work in micro and small enterprises [3].

(3) Small and micro enterprises are both micro subjects in the market economy and indispensable promoters of deepening reform. First of all, most SMEs are closely related to the market and to consumers, and most of them are concentrated in some hot industries, which are a key micro foundation of the market economy. At the same time, compared with large enterprises, microenterprises have the advantages of ease of operation, low cost of innovation, and the ability to introduce new institutions more quickly. At the same time, the impact on society is small and less vulnerable to macroeconomic shocks. Therefore, micro and small enterprises are often seen as a testing ground and entry point for reforms [4].

4. Shortcomings of the current fiscal policy to support the financing of small and micro enterprises

4.1 Support needs to be strengthened

In the current situation, the state has formulated a lot of preferential measures in the financing of MSMEs, but most of them are short-term policies, and although these policies are highly targeted, they lack sustainability and cannot form a driving force for sustainable development. In addition, the current tax incentives for MSMEs are mainly income tax incentives, which cover fewer links and thus have very limited incentive effect on MSMEs. In addition, some of the financial assistance funds for individual enterprises only a few hundred yuan, the subsidy is not very strong.

4.2 Inadequate information sharing mechanism

Although a variety of different information platforms have been set up in various sectors, these platforms are not effectively connected to each other and not sufficiently shared, leading to some low-level duplication, and some of them are not open and public. At the same time, the information of some platforms is updated slowly, which increases the financing time of small and micro enterprises, and some platforms also miss the financing time because the information is not timely enough.

4.3 There is a deviation in the target of subsidies

Although the government will increase the support for micro and small enterprises every year, but more for large and large micro and small enterprises, because these enterprises are easier to get financial support compared to banks, so the support for them is like "icing on the cake", while for micro and small enterprises, " It is a very difficult thing to send charcoal in snow, especially for small and micro enterprises to play a great help, especially for small and micro enterprises.

5. Effectiveness of fiscal policy for micro and small enterprises

5.1 Common options for fiscal policy to support MSME financing

5.1.1 Financial subsidies

Financial subsidy is a kind of compensation from the state treasury to enterprises and individuals to achieve certain political, economic and social purposes, and it is a kind of government financial transfer expenditure. This is to help MSMEs so that they can develop better. The main body of financial subsidies is the state, and the objects of subsidies are small and medium-sized micro enterprises. Among them, special funds for the development of small and micro enterprises, subsidies for technological innovation and R&D, employment subsidies, export subsidies, and policy loss subsidies are the best ways. The role of financial subsidies is to reduce the cost of small and micro enterprises, to guide the flow of social capital and the economic behavior of enterprises, to promote small and micro enterprises to increase employment, to promote scientific and technological innovation, to promote foreign trade exports, etc.

5.2 Government procurement

Government procurement is the purchase of goods, works or services from the society by the state through financial allocation or by raising debt. Therefore, government procurement has an

important impact on the economic development of the whole society. Government procurement policy is actually a kind of disguised protection and support for enterprises. With the help of the government, small, medium and micro enterprises can better sell their products, thus improving the productivity of their products, increasing their share in the market and promoting their development. The government makes public information on procurement bidding and regulates the bidding process, which improves the rigorous and scientific evaluation system and provides conditions and opportunities for fair competition for small and micro enterprises.

5.3 Loan assistance and financial investment and financing

Loan assistance means using the power of the state to help micro and small enterprises solve their financing difficulties, and its implementation is based on the state stepping in to provide loan guarantees for them. In contrast, fiscal investment and financing means that the government brings together various idle funds, including various available funds from private individuals, by means of state credit, and then manages them by a fixed department so as to achieve policy goals. After that, these funds are used as support for the production, operation and development fiscal activities of enterprises or institutions through direct loans, low-interest preferential loans, government credit guarantees and loan subsidies, and other direct or indirect loans. In the start-up and development of MSMEs, the shortage of capital is an important factor that restricts the operation of MSMEs. At present, the biggest problem faced by MSMEs in China is the difficulty of financing. Financial investment and financing is to better provide loans for MSMEs, and the fund is unique in that it is more flexible in the use of funds and much less burdensome than direct investment and financing, as it uses the government's creditworthiness as a guarantee to obtain funds. (2) The mechanism of the role of fiscal and taxation policies for small and micro enterprises as shown in Figure 1.

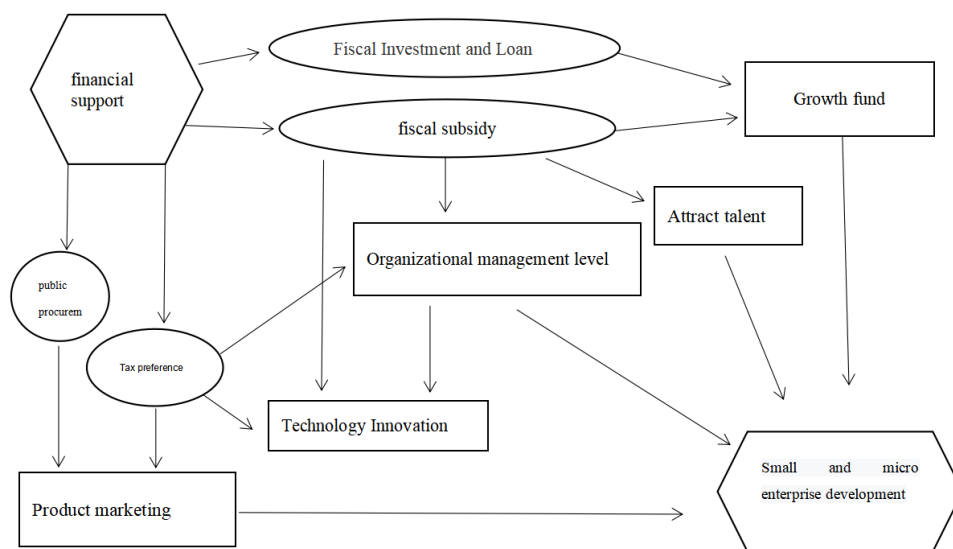


Figure 1: Schematic diagram of the mechanism of the role of fiscal policy for micro and small enterprises

The above is a diagram of the mechanism of action of fiscal and tax policies. As can be seen, various tax policies can support MSMEs in several ways. First, government procurement policy tools are used to ensure that MSMEs have certain product sales, leaving part of the market share to the weak and small enterprises. Second, tax incentives are used to reduce the tax burden of MSMEs, because with less tax, profits will naturally increase and the excess funds can be used to expand

product inputs and reinvestment in MSMEs. Third, the use of financial subsidies to help small and medium-sized enterprises in terms of scientific and technological personnel, innovative technology, production and operation, restructuring and other aspects of greater improvement and gains. Fourth, the use of fiscal investment and financing policy, the use of government credit and other forms, the concentration of various available funds, invested in small and micro enterprises, so that their development funds and loan difficulties to solve the problem. As mentioned above, fiscal policy, as a powerful support for MSMEs, can not only influence the capital, operation status and operation mode of MSMEs through government procurement, tax concessions and financial subsidies, but also improve their survival and development environment, as well as restructure and change their target orientation. For MSMEs to develop better, they must be supported and assisted by the government so that they can develop better, which is the problem facing China's economic development. Therefore, it is urgent for the government to intervene to provide a good environment for them to survive, so that they can allocate their production factors reasonably and manage them optimally, thus promoting their healthy and orderly development.

6. Policy Recommendations

6.1 Increase the financial and tax incentives, subsidies

On the premise of ensuring that the existing generally applicable tax incentives are effectively implemented, expand the types of preferential tax items, extend the tax exemption period, and streamline and clean up some local taxes and administrative-type fee items according to the specific local conditions, so as to effectively reduce the burden for small and micro enterprises. In addition, continue to increase financial support for small and micro enterprises in poor and remote areas to make up for the subsidy gap between them and advanced areas due to local taxes, so as to achieve balanced development.

6.2 Establish an information sharing platform

The government finances and builds a financing information exchange platform where banking institutions can announce to the public their relevant regulations for MSMEs and the financial products they can offer, so that MSMEs can be notified of credit policies in a timely manner, and MSMEs with financing needs can post financing information, including their creditworthiness, production and operation, and financial information, thus making them more financially transparent and facilitating banks to save capital and manpower, improve the loan approval process and enhance the efficiency of loan review. Through the platform of information sharing, the trouble caused by information asymmetry can be minimized and funds can be saved to enhance the efficiency of capital use.

6.3 Accelerate the credit rating and local security institutions

The government should take the lead in coordinating multiple departments to jointly promote the credit assessment and credit file construction of MSMEs, establish a credit reward and penalty system to further regulate and discipline the behavior of MSMEs in order to reduce credit risks, and guide commercial banks to provide credit support to MSMEs with good credit records and high credit ratings. During this period, the government will fund a regional credit guarantee institution for MSMEs to promote the collateralization and guarantee of intangible assets such as intellectual property and equity, thus improving its guarantee capacity and scale, and building a communication bridge between MSMEs and financial institutions, thus solving the financing problems of MSMEs

due to the lack of effective guarantee.

6.4 Active and effective promotion of fiscal policies for small and micro enterprises

First, through multi-channel, multi-platform and multi-view approach. Timely and favorable policy publicity. It specifically includes both traditional channels and emerging channels, for example, issuing some leaflets at home or using network platforms (QQ groups, WeChat groups, etc.), LED displays and other ways to launch in-depth publicity on the preferential content of fiscal policies, tax procedures and declaration requirements. Secondly, regular centralized training is carried out. We actively call on the relevant financial personnel of MSMEs to go to taxpayers' school to learn and master the key points and preferences of the latest tax policies, as well as the calculation methods of tax deductions and the filling of declaration forms. Thirdly, the key guidance is conducted regularly. According to the specific conditions of small and micro enterprise taxpayers' declarations, we find target small and micro enterprises and provide door-to-door counseling one by one, so that these small and micro taxpayers can correctly obtain the quarterly and annual remittance convergence operation and declaration filling methods, so that small and micro enterprises can fully enjoy the preferential new policy. Fourth, strengthen supervision and management. We should actively monitor the implementation and degree of implementation of preferential policies and provide feedback, and follow up every step of the process, linking the implementation of policies with performance assessment, so as to effectively ensure that small and medium-sized micro enterprises get preferential policies.

6.5 Improve the legalization of fiscal policy for small and micro enterprises

In order to improve the stability of financial policies for MSMEs, reduce artificial manipulation and uncertainties, and strengthen the normality and authority, the process of legalization of policies should be accelerated. First, we should strive to create a positive and healthy social environment that is conducive to the development of MSMEs, and revise and improve the relevant regulations for MSMEs in the existing financial policies. Second, we should speed up the legislation on MSMEs, including taxation, government procurement and bidding laws, and incorporate policies involving MSMEs into our legislative system.

6.6 Establish social security incentives and hardship subsidies to improve the coverage of their social security systems

One of the main reasons why micro and small enterprises have difficulties in recruiting good talents is that they do not have a stable job to meet the needs of job seekers, which is why micro and small enterprises cannot afford social security for all their employees. To address the problem of low social security coverage of MSMEs in China, the state should, on the one hand, provide "social security incentive subsidies" to MSMEs that provide social security to their employees and motivate them to participate in social security with policy incentives. At the same time, it is also necessary to promote MSMEs to pay social insurance premiums for their employees, and for those MSMEs that cannot afford to pay, they can be provided with corresponding "social insurance premium subsidies" to increase their ability to pay contributions.

7. Conclusion

Starting from the concept and importance of micro and small enterprises, this paper focuses on analyzing the current situation and problems of China's micro and small enterprise development and

fiscal policy, and draws on the experience of foreign micro and small enterprise development support policies as a basis to put forward ideas and suggestions for China's micro and small enterprise fiscal policy in the context of economic crisis. The purpose of this paper is to discuss how to improve the fiscal policy for MSMEs in China in order to better promote the development of MSMEs and achieve the purpose of effectively responding to the economic crisis. Firstly, it is necessary to reduce the tax burden of MSMEs and strengthen special funds, government procurement and financial subsidies for MSMEs, so as to create a favorable development environment. Secondly, we should promote technological innovation, product upgrading and structural adjustment of MSMEs through government procurement and government investment to enhance the competitiveness of MSMEs; finally, we should increase the government's special funds and financial subsidies for MSMEs to enhance their development capacity.

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