Financing Predicament of Small and Micro Enterprises in Hubei Province and its Solution

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Abstract. China's economic development can create Chinese miracles, and the private economy has contributed. However, private enterprises, especially small and micro enterprises, are facing the "three big mountains" of market icebergs, financing high mountains and transition volcanoes. How to solve the financing dilemma of small and micro enterprises and promote the rapid and healthy development of small and micro enterprises is a key issue related to national economy and people's livelihood.

Keywords: Small and micro enterprises, Financing Difficulties, Suggestions.

1. Introduction

General Secretary Xi Jinping stated in his "Speech at a Private Enterprise Symposium" on November 1, 2018, "To solve the problem of difficult and expensive financing for private enterprises, we must give priority to solving the problems of private enterprises, especially small and micro enterprises that have difficulty in financing or even cannot finance. Problems, and at the same time gradually reduce financing costs. " To this end, the central and local governments have successively introduced a series of policies to alleviate the problems of financing difficulties and expensive financing for small and micro enterprises. For example, the State Council issued the Opinions on Supporting the Healthy Development of Small and Micro Enterprises in 2014. The policy of reducing micro-finance financing and reducing rates. At the same time, the academic world has made in-depth research on the financing of small and micro enterprises, and has successively put forward a number of theories-credit rationing theory, information asymmetry theory, and adverse selection theory of financing markets. However, the financing problem of small and micro enterprises has not been fundamentally solved, and it has become a hot topic in academia and the public.

2. Analysis of the Reasons for the Financing Difficulties of Small and Micro Enterprises in Hubei Province

2.1 Model Settings

This article selects the asset-liability ratio that reflects the level of corporate debt as the explanatory variable to measure corporate financing capabilities. Asset-liability ratio is an indicator used to evaluate the financial status and solvency of an enterprise. It represents the proportion of all assets of an enterprise that comes from liabilities and from shareholders' input. It can measure the ability of SMEs to obtain debt financing. Only in good condition and strong solvency can we gain the trust of creditors.

Many domestic scholars have researched the financing of small and micro enterprises, mainly based on econometric models. Li Hongjia (2017) obtained empirical research and concluded that corporate profitability is the main factor affecting technology-based SMEs. Sang Yibo (2018) believes that the higher the level of regional economic development, the greater the possibility of mortgage financing. Wang Hailing (2017) According to the development characteristics of science and technology enterprises, build a scientific index system that meets the evaluation of financing capabilities of science and technology park enterprises. Based on the research results of these predecessors, combined with the characteristics of small and micro enterprises in Hubei Province,

in accordance with the basic principles of comprehensiveness, representativeness, and scientific of the establishment of an indicator system, seven financial indicators of enterprises were selected as explanatory variables affecting the financing of small and micro enterprises . The explanatory variables of the model are roughly divided into two categories, namely, the variables that affect the external financing capacity of the enterprise and the variables that affect the internal financing capacity of the enterprise. The explanatory variables is shown in Table 1.

Table 1. Selection of independent and dependent variables

Variable category	Variable meaning	measurement index	Variable code
Explained variable	Financing capacity	Assets and liabilities	Y
Explanatory variables	Enterprise scale	Annual turnover	X_1
	Profitability	Return on equity	X_2
	Enterprise life cycle	Time of establishment	X_3
	Economic development level of the region	Per capital GDP	X_4
	Development level of small and medium financial institutions	Proportion of small and medium financial institutions	X_5
	Development level of regional industrial clusters	Number of the enterprise	X_6
	Social service level in the region	Number of social service agencies	X_7

Note: For the convenience of calculation, the measurement index of the development level of regional industrial clusters is simplified to the number of enterprises in the region.

By referring to relevant research methods, multiple linear regression was carried out on sample data according to the above dependent variables and independent variables, and the model was established:

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + u_i$$

In the formula, Y represents the asset-liability ratio of the explained variable, Xi represents the explanatory variables, and $\beta 0$ is the constant term, and βi is the coefficient of each explanatory variable (i = 1,2...... 7), represents the influence of the explanatory variable on the explained variable. ui represents the random disturbance term, and represents the part of the explained variable that cannot be explained by the explained variable.

2.2 Regression Analysis

A total of 169 small and micro enterprises surveyed in 2018 were selected as research objects. The samples have two characteristics: first, they cover 17 prefectures in Hubei province, which are universal; Second, the financial management system is relatively sound. Eviews was used to analyze the sample data and the following model was obtained:

$$Y=0.034571+0.061763X_1+0.067627X_2+0.040274X_3+0.011630X_4+ 0.021123X_5 + 0.021294X_6 + 0.011475X_7 + u_i$$

It can be seen from table 3-9 that all the seven explanatory variables in the model have passed the t-test, indicating that the seven explanatory variables have a strong explanatory ability to the asset-liability ratio, and the R-squared value is about 0.7, which reflects that the seven explanatory variables reasonably explain the asset-liability ratio, and the fitting degree of the model is good. The P value of the F test is 0, and the F test indicates that the explanatory power of the regression

equation is effective and significant. Meanwhile, the variance inflation factor of the independent variable was calculated, VIF was about 2, and there was no serious multicollinearity between the independent variables. See our table 2 below.

Table 2. results of Ewiews multiple regression analysis

Variable	Coefficient	Std. Error	t - Statistic	Prob.
C	0.034571	0.015919	2.171627	0.0441
X_1	0.061763	0.026502	2.330432	0.0000
X_2	0.067627	0.027424	2.465943	0.0020
X_3	0.040274	0.005994	6.718321	0.0115
X_4	0.011630	0.003357	3.464136	0.0314
X_5	0.021123	0.006780	3.115347	0.0311
X_6	0.021294	0.009836	2.164895	0.0254
X_7	0.011475	0.003500	3.278285	0.0050
R - Squared	0.748285	F - statistic		16.56718
Adjusted R - Squared	0.667934	Prob (F – statistic)		0.000000

2.3 The Research Conclusion

The research results of this report show that enterprise scale, profitability level, enterprise life cycle, regional economic development level, development level of small and medium-sized financial institutions, regional industrial cluster development level and social service level are all positively correlated with the asset-liability ratio, which can affect the financing ability of small and micro enterprises. Among them, enterprise scale and profit level are key factors.

The larger the enterprise scale, the stronger the enterprise financing ability, the enterprise scale is generally a symbol of the strength and credibility of the enterprise, the bank will generally choose the larger scale of the enterprise loan, in order to ensure the safety and recyclability of funds. In order to improve the financing capacity, small and micro enterprises should focus on strengthening their own scale and improving the availability of loans.

The stronger the profitability, the stronger the financing ability, the higher the asset-liability ratio. According to the optimal financing theory, the stronger the profitability of an enterprise is, the more the internal accumulation and undistributed profits of the enterprise will be, and the easier it is to realize the internal financing.

3. Suggestions

3.1 Focusing on Reform, Optimizing Credit Structure and Capital Allocation

First, adhere to the main line of deepening structural reforms on the supply side and reduce financial support for resource-intensive industries with high pollution and high energy consumption. For small and micro enterprises that are in line with the country's industrial development direction, have a market for their products, and are temporarily experiencing difficulties, they must increase their credit preferences and guide banking financial institutions to expand credit supply. The second is to change the traditional financing method, develop supply chain financing business, introduce industry chain affiliated companies to invest in small and micro enterprises, and promote the formation of a community of interests between small and micro enterprises and investment entities. Third, relying on the new-type agricultural business main body sponsoring bank system, guide financial institutions to increase financing support for family farms, rural individual industrial and

commercial households, and small and micro business owners in the fields of characteristic agricultural product production, agricultural technological innovation, and rural e-commerce.

3.2 To Serve as the Core, Strengthen the Construction of Infrastructure of Financial Services

First, we will create a fair competitive environment for financing in the market. We will resist loan discrimination against small and micro businesses by state-owned Banks and other financial institutions, expand access to the financial market, and give equal treatment to small and micro businesses of all forms of ownership. Second, we will accelerate the development of a government-backed guarantee system. We will set up policy-based guarantee funds, improve the re-guarantee system, establish a credit rating, credit enhancement, bad debt management system and a financing risk management system for small and micro businesses, and realize the systematization, precision and standardization of financing support policies and systems for small and micro businesses. Third, promote the construction of credit information platform for small, medium and micro enterprises. We will abandon discrimination against small and micro businesses in terms of size and property rights, actively develop credit audit technology, and strive to eliminate information asymmetry for small and micro businesses.

3.3 Led by Innovation to Promote Financial Service Model and Product Innovation

First, innovate inclusive financial services. Establish and improve inclusive financial franchise institutions, set down service outlets, promote the construction of franchise institutions, take the financial needs of long-tail customers as the starting point, extend the tentacles of financial services, and formulate the "financial services grid" strategy. Second, innovate the model of "Internet + local Banks". Based on the concept of "Internet + finance", it USES modern technological means such as big data and cloud computing to build a sharing, cross-border and trading platform for Internet finance, and promotes the development of offline and online channel business and electronic payment, so as to improve the approval efficiency. Third, innovate the direct financing method. The government should guide private capital to set up local financial institutions to compete with Banks and financial institutions on a level playing field, so as to provide a new way for small and micro enterprises to solve the problem of innovation investment.

4. Summary

On the supply side of the reform background, solve the problem of small micro enterprise financing difficulty, must respect the market rule, insisted on the gripper of reform, the government departments at all levels, especially the local government will mainly focus on guiding non-governmental capital development localization of small financial institutions, to vigorously promote financial service mode and product innovation, such as pratt & whitney finance, finance and other science and technology, forming a reasonable division of labor, overlapping and orderly small micro enterprise financing.

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