

Analysis of Financial Management Issues and Solving Strategies in Small and Medium-Sized Enterprises (SMEs)

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Abstract: Efficient financial management is the key to the survival and development of enterprises. At present, the theory and practice of enterprise financial management are continuing to mature. Especially, large-scale enterprises have built relatively perfect financial management system, applied advanced financial management methods, and set up professional financial management team. Compared with large-scale enterprises, small and medium-sized enterprises (SMEs) are obviously weak in terms of financial management. Therefore, in view of the improvement of the entire level of Chinese corporate financial management and the sustainable development of SMEs, this paper mainly analyzes the financial management issues and solving strategies in SMEs.

1. Introduction

In recent years, the rapid development of SMEs has made outstanding contributions to the improvement of the national economy as a whole. However, it should be noted that SMEs have multiple shortcomings compared with large-scaled enterprises, for example, they are in small scale and fund shortage, and have less resources and weak competitiveness, which make it difficult for SMEs to achieve sustainable development. At present, there are two major problems facing the development of SMEs, that is, cost increase and financing difficulty, and these two development problems are fundamentally inseparable from financial management. Therefore, strengthening financial management is the key to the sustainable development of SMEs. However, many SMEs have some problems in the process of financial management, which restrict the rapid development of the enterprises. Hence, it is of important significance exploring and solving the financial management problems of SMEs.

2. Problems of Financial Management in SMEs

For SMEs, their financing channels must be broadened in order to achieve long-term development. At present, once SMEs have financial difficulties, what comes to their mind first is seeking help from banks. But the physical situation is that many commercial banks are unwilling to lend money to these SMEs, as there is the problem of seriously imperfect financial management in these enterprises. Moreover, the present conditions for bank loans to be met are very strict, and mortgage is a must. Many SMEs do not have the article and qualification that can be used for mortgage, thus they can not gain the trust of banks, and cannot get loans.

In addition, there are still many problems facing the development of China's capital market, which restrict SMEs' behavior of using securities to obtain funds. From the perspective of the enterprises, many of them still cannot meet the conditions for listed transactions, and they lack marketing support. At present, the SMEs module has already appeared in the Shenzhen Stock Exchange in China, but due to the restrictions of policies and conditions, only a small part of the enterprises can obtain financing [1]. The duration of SMEs entering the market is very short, and there is a serious shortage in the internal management and transactions of these enterprises. Moreover, the current securities market has not set up corresponding financing channels for SMEs, which makes many SMEs suffer from financial problems and unable to obtain external financing.

Backward corporate financial management ideas

At present, SMEs have some misunderstandings in financial management, they simply consider

that financial management is equivalent to simple accounting and making pay sheet, and that no accounting error is equivalent to qualified work. The real corporate business accounting and tax filing are done by agency enterprises, who tend to serve multiple enterprises simultaneously, and then form a set of complete patterns, but do not pay much attention to the practical problems of the enterprises, let alone make suggestions.

Although a perfect financial management system is of great importance for the development of SMEs, the managers of these enterprises feel no need to spend a large amount of capital in employing special financial staff. This makes the level of corporate financial management difficult to be improved, and over time results in more and more financial problems, which cannot be well identified and solved. Many a little makes a mickle, these problems have invisibly brought serious losses to the enterprises [2].

In addition, the accountants employed by many SMEs do not have professional knowledge, and most financial officers are part-time accountants or rely on the third-party accounting enterprises. As far as SMEs are concerned, the accounting level merely stays in simple account keeping. The dependence on part-time accountants and third-party accounting enterprises seriously restricts the future development of these enterprises. In order to achieve long-term development, these enterprise must establish a perfect inner financial management mechanism. If the financial management is not perfect enough, the phenomenon of flourishing business and no dividends can easily appear.

In view of the actual situation of SMEs, the financial management system still stays in the initial extensive form and lacks orderly management, which is mainly manifested in the following aspects: many enterprises have not set up the corresponding financial management system, thus many accountants can casually execute management behaviors, effective constraint is lacking, and more and more management loopholes will appear in the long run, thereby seriously restricting the development of the enterprises. There are blood relation and kinship between many managers and employees in the bottom layer, leading to the fact that the enterprises have formulated corresponding financial management system but been unable to implement it, as the binding force is very low.

3. Solving Strategies for Financial Management Issues in SMEs

In view of the current development tendency of SMEs, operation capital management in financial management has become the focus. In the actual operation process, only by constantly increasing the speed of capital turnover, will it be possible to achieve the goal of appreciation. Most enterprises use capital turnover to achieve the purpose of making profit. The following measures can be taken to strengthen funds management:

To actively seek the equilibrium point between the liquidity ratio, the quick ratio and the cash ratio. Especially, cash ratio can directly present the development status and future potential of the enterprises. Then the optimum state is that the cash income should not be less than the cash outlay, and in fact, it is gradually approaching the direction of zero cash reserve.

To strictly control two cycles (accounts receivable cycle and accounts payable cycle). In fact, the accounts receivable cycle is the date of accounts recovery; to do a good job of management, to ensure that the specifically implemented policies meet the current situation, and to shorten the cycle as far as possible. The accounts payable cycle refers to the crediting deadline provided by the supplier, during which all available funds should be made the best of, but the cycle should not be prolonged without restriction.

To reduce administrative expenses, selling expenses and financial expenses as far as possible. In most of the enterprises, the above three types of expenses occupy a large proportion of circulating funds, so for the enterprises, these expenses must be strictly controlled to ensure cost rationalization.

As far as shareholders of the enterprises are concerned, if new financing channel has not been found, the enterprises are likely to lose competitiveness because of limited funds in the future development. Therefore, shareholders' financing concept should be actively changed, various measures should be taken to absorb funds, and multiple channels should be used to raise funds, thus promoting the rapid development of the enterprises.

If a good cooperative and trust relationship is established between the enterprises and the banks, a large amount of short-term loans may become long-term loans, thereby effectively relieving the repayment pressure facing the enterprises in the process of development. First of all, the financial management system should be established and improved to ensure full implementation of the system and that all the information collected is true and credible. Meanwhile, first-hand information and data should be paid attention to and sound accounting statements should be formulated. According to the national rules and regulations, taxes should be turned in actively and relevant laws and regulations should not be violated. Secondly, the credit image should be actively created. At present, most enterprises have short-term loans, they should ensure fully repaid funds as far as possible. When the repayment period becomes due, the principal and interest should be repaid in time to avoid bad loan documentation and lay a solid foundation for the future development. Thirdly, the credit rating should be actively enhanced. In order to ensure that the enterprises get more preferential in the future, a relationship with the previously cooperated banks must be established, and then relevant audit work should be done well, so as to enhance the credit rating of banks, and enable the enterprises to occupy a more desired position in the future development process [3]. Finally, the management of loan funds should be well done. When managing bank loans, special funds and special accounts should be given consideration to, thus ensuring the standardization of management. Plans should be actively adopted to carry out information communication with banks, and specific supervision on details should be well done, thereby establishing a good cooperative relationship between the banks and the enterprises, building a platform with mutual trust, gradually transforming some of the short-term loans into long-term loans, relieving the pressure of enterprises, and promoting the development of modern enterprises.

Enterprises should transfer their emphasis to internal construction, do a good job of internal control and enhance financial management level. They should regard fund management as an important work for the survival and development of the enterprises, ensure the use efficiency of funds, and put limited funds into the unlimited market, thus ensuring revenue maximization. Meanwhile, internal accounting control is an important link of internal control, so a perfect system and form should be actively built, and the scientific work post responsibility should be carried out, so as to ensure that every employee can set up quality consciousness.

SMEs should change their existing financial accounting management mode and position it on the long-term interests of the enterprises. Besides, according to their development status and actual situation, the existing financial accounting management mode should put into the overall background of the market economy, relevant laws and regulations should be observed, and a scientific and rationalized financial management system should be built. When constructing and perfecting the system, the principles of scientificity and practicality must be followed, scientificity should be regarded as the most basic principle, theoretical development should be abided by, and successful implementation of the system should be ensured in view of the true situation of the enterprises.

In addition, in order to ensure true effect exertion of the well-established financial management system, every functional department of the enterprises should play its role, work closely with each other, timely feed back various problems encountered in the system implementation, put forward reasonable opinions and suggestions, and actively improve the internal management system in accordance with the changes in the market operational mechanism.

The comprehensive quality of financial staff directly determines the exertion of the function of financial management. The finance posts should be designed according to the financial standards to avoid risks as far as possible, and a restriction and supervision system should be established between different posts, thus effectively solving fraud risks in the process of enterprise development. In addition, financial management department is the most important department in the enterprises, hence, for its staff, merely possessing the basic professional ability is far from enough, they must be able to efficiently process and analyze data, and master the skills of avoiding financial risks and tax legally. In order to select excellent financial management personnel, the management layer of the enterprises should avoid the drawbacks brought by family-run management as far as possible, and

ensure that financial management exerts the prospective effect. For financial personnel at the general posts, not only outstanding external staff should be recruited, but also attention should be paid to the selection and training of internal staff. Regular training should be carried out on excellent internal staff, and then specific rewards should be given to them according to the training results.

4. Conclusion

The financial management of SMEs is a systematic and integral process, it not only involves relevant links of financial management, but also is closely related to other corporate operation management issues. This requires the introduction of enterprise finance management into the whole process management of the enterprises, so as to play the pivotal role of financial management in the process of sustainable development of the enterprises.

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