

Probe into the Financing Problem of SMEs Based on Financing Lease

Zhang Jianhui

Xi'an University, Xi'an, 710065, China

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Abstract: The financing problem of small and medium-sized enterprises is a long-term problem that restricts the development of small and medium-sized enterprises. Only by innovating financing mode and broadening financing channels can this problem be solved. Financial leasing provides an effective way for SMEs to finance by virtue of its unique advantages.

1. Introduction

As the main body of market economy, small and medium-sized enterprises can promote the development of national economy and become the basic force of social stability. It can not only guarantee the moderate growth of the national economy, provide employment opportunities, alleviate employment pressure, but also play an important role in realizing the rejuvenation of the country through science and education and optimizing the economic structure. However, the "financing problem" has always restricted the rapid development and expansion of SMEs. Therefore, improving the financing situation of SMEs is the key to the development of SMEs.

According to statistics, in the third quarter of 2018, the balance of small business loans of banking financial institutions reached 33 trillion yuan, an increase of 2.3 trillion yuan over 2017, a growth rate of 7.5%. At the end of 2017, the total balance of generalized small and micro enterprise loans of banking financial institutions reached 30.7 trillion, an increase of 4.0 trillion from 2016, a growth rate of 15.1%, an increase of 1.3 percentage points over 2016. Overall, the growth rate of loans for small and micro enterprises has gradually rebounded year by year after experiencing a relative low in 2015. However, these problems have not completely solved the problem that the capital chain of small and medium-sized enterprises is not smooth. Therefore, increasing financing channels and innovating financing methods are effective ways to solve the financing difficulties of SMEs.

2. Functions of Financial Leasing

Financing lease refers to the financing behavior that the lessor leases the leased goods from the supplier to the lessee for a long time according to the requirements of the lessee and on the condition of collecting rent from the lessee.

Finance leasing industry will become one of the three most powerful financial instruments in parallel with banking and securities industry. At present, nearly one third of the global investment is accomplished through finance leasing. According to the statistics of China Leasing Union, International Leasing Union Organizing Committee and Joint Leasing R&D Center, in the first half of 2018, the total financial leasing business in the world was about \$4.15 trillion, an increase of 4.5% over 2017. China's financial leasing business is developing more and more rapidly. By the end of June 2018, the total number of financial leasing enterprises in China reached 10 611, with a business scale of 6.3 trillion yuan, which has become the second largest financing mode after bank credit. As of the end of June 2018, the national financial leasing contract balance was approximately \$920 billion, an increase of 4.5% from the \$881.2 billion at the end of 2017. According to data from the Leasing Industry Committee of the China Association of Enterprises with Foreign Investment, in the United States, 80% of leasing companies are SMEs. In Japan, SMEs account for 50%-60% of the rent-holding enterprises, while in Taiwan, the proportion is more than 85%.

The functions of financial leasing are mainly reflected in:

2.1 Tax-saving financing function

Financial leasing can provide financial financing for enterprises and solve the problem of insufficient funds. The current financial system stipulates that rents for lease leases can be deducted before tax, so that financial leases can not only play a role in financing, but also further demonstrate the function of saving taxes. For the lessee, financial lease can obtain the right to use all the equipment with less rent, and the equipment can be replaced from time to time, which alleviates the financial pressure of the production enterprises and reduces the risk of depreciation of the equipment. For small and medium-sized enterprises with limited access to capital from banks and other financial institutions, it is an effective means of financing.

2.2 Investment function

Financial leasing is not only a means of financing, but also a powerful financial tool, which provides a new investment choice for social capital. Investors can set up leasing companies to carry out leasing business. You can also choose to obtain investment income by investing in a lease fund or trading in leveraged leases. Further promote the development of the financial leasing market by investing in the financial leasing business.

2.3 Promotional features

For the supplier of machinery and equipment, it is also one of the means of promotion for the supplier, which provides a strong guarantee for expanding the sales of products and enhancing the market competitiveness of products. Financing lease can be used in the form of lease on behalf of sales, which not only solves the problem of insufficient capital of production enterprises, but also solves the problem of supplier's marketing, bringing win-win results.

3. Advantages of Financing Lease in Financing of SMEs

3.1 As a kind of transaction activity between enterprises, financial leasing has no complicated procedures, which is more beneficial to SMEs' financing.

In financial leasing, the requirement for the credit of the leasing enterprise and the guarantee of the project is not very high. As long as the capital flow of the project is sufficient, the risk can be effectively avoided for the leasing company. Moreover, financial leasing generally uses leased equipment as collateral, and does not need other collateral or mortgage, which can solve the problem of small and medium-sized enterprises' real estate mortgage. Therefore, the financial leasing method can fill the gap of bank loans and provide effective protection for the financing of SMEs. At the same time, SMEs can increase their credit rating through leasing credit, which is beneficial to the financing of multiple channels of enterprises.

3.2 The tenant can get tax benefits.

According to the tax law: "The machinery and equipment that is leased by the financial leasing method for enterprise technological transformation, the depreciation period can be determined according to the lease term and the depreciation period specified by the state, but the minimum depreciation period is not shorter than three years". Enterprises can fully enjoy the benefits of this provision, through planning, scientific depreciation, depreciation costs as enterprise costs, so as to delay the payment of income tax and obtain the time value of funds. At the same time, it can adjust the cash flow of enterprises to ensure the sustainable development of enterprises.

3.3 Reduce the financing cost of SMEs.

Generally speaking, the interest rate of bank loans in the same period has a comparative advantage, which is usually 2-3 percentage points lower than the interest rate of financing lease. However, the bank's medium-term and long-term loans often increase the actual loan cost of SMEs and reduce the available funds through special repayment methods, compensatory balances and other restrictions. Adopting financial leasing methods Enterprises only need to invest less funds,

they can have the right to use equipment, avoid the investment of large amounts of funds in the early stage, which will affect the flow of funds and even cause difficulties in the operation of enterprises. In the case of sufficient funds for enterprises, the use of financial leasing can make the funds more useful and create higher value.

3.4 It belongs to off-balance sheet financing and will not affect the increase in corporate debt ratio.

If an enterprise obtains the required funds by means of loans, it may result in a high debt ratio of the enterprise, which will affect the credit rating of the enterprise. Operational leasing belongs to off-balance-sheet financing, which not only solves the problem of insufficient funds, makes the enterprise have the right to use the equipment, but also does not show as liabilities, and does not affect the debt rate of the enterprise. It can be seen that financial leasing is the financing tool for SMEs with the lowest financing threshold, simple procedures and the highest safety factor.

4. Suggestions on promoting financial leasing in China's SMEs

4.1 Innovate financing leasing business

First, we can learn from the practices of countries with developed financing, and adopt the method of income percentage leasing and structure-sharing leasing. According to the income of the lessee, the lease term is flexibly set, or the form of rent payment is adjusted according to the actual production and operation status of the enterprise.

Secondly, from the basic forms of direct financing leasing, after-sales leaseback, leveraged leasing, etc., combined with practical experience at home and abroad, create new models, such as sharing cooperative leasing, risk leasing, structured participation leasing, bundled leasing, and comprehensive leasing. Some provinces and municipalities in China have also initiated new models of cooperative leasing, deposit-rent-three and leasing agency.

Thirdly, the function innovation of financial leasing. The function innovation of financial leasing is to fully tap and enlarge other functions besides financing. Macroscopically speaking, financial leasing also has three functions: stimulating consumption to stimulate domestic demand, regulating macro-economy to promote sustainable economic development, and guiding the rational and orderly flow of capital. Microscopically, financial leasing also has functions such as expanding investment, promoting sales, saving taxes, and off-balance sheet financing. At the same time, it also has the means of strengthening asset management, increasing asset liquidity, relieving debt burden, and promoting technological transformation.

4.2 Improve system construction and improve the external environment of financial leasing

4.2.1 Improve the macro environment for the development of financial leasing.

First of all, we must vigorously build a modern economic system and change the concentration of elements in the whole society. It also enhances the demand for capital elements of enterprises, creates favorable conditions for the development of financial leasing business, and brings favorable macro-development environment for the improvement of financing leasing penetration rate, diversification of business models and market segmentation. Secondly, we should speed up the reform of investment and financing system, accelerate the change of capital market structure, and bring favorable development opportunities for the improvement of financial lease penetration, business model innovation, broadening financing channels and reducing financing costs. Thirdly, we should persist in deepening institutional and administrative reform for a long time to create a good environment for the development of financial leasing.

4.2.2 Standardize the order of financial leasing industry.

First, we should seize the favorable opportunity for financial leasing to be assigned to the Banking and Insurance Regulatory Commission as soon as possible, sort out the relevant laws, regulations and policy documents of the financial leasing industry nationwide and in various

regions, and form the standards and regulatory system of the financial leasing industry. Second, we should accelerate the structural reform of the supply side of the financial leasing industry itself, clean up the "zombie enterprises" and rectify the order of the industry. The third is to lead financial leasing companies to pursue differentiated development. In the construction of a modernized economic system, the financial leasing business area has been expanded unprecedentedly. Not only traditional aviation leasing, car leasing, machinery and equipment leasing, and medical equipment leasing still have broad development space. And PPP mode leasing, military equipment leasing, agricultural machinery leasing, scientific research equipment leasing, educational facilities leasing, guaranteed housing leasing, international leasing and other emerging businesses will continue to emerge.

4.2.3 Strengthen the training of college financial leasing talents.

To meet the financial leasing industry's demand for professional, differentiated, compound, melting and iterative talents. The industry characteristics of financial leasing. It decides that financial leasing professionals must be familiar with economic, financial, financial, accounting, legal and other professional knowledge, and have strong social practice and social interaction ability. On the one hand, colleges and universities need to strengthen the professional education of financial leasing talents. On the other hand, it is also necessary to establish a talent training mechanism within the financial leasing enterprises to enhance the actual business ability through practice, training, research and other ways.

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