Research on Innovation of SMEs Financial Management from the Perspective of Internal Control

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Abstract: Market competition is becoming increasingly fierce, and the environment for survival and development of small and medium-sized enterprises is becoming increasingly complex. Financial management is an indispensable part of enterprise production and operation. At the same time, the effectiveness of enterprise financial management provides a good environment for the implementation of internal control systems. In this context, it is particularly important to innovate financial management models, build a sound internal control mechanism, improve financial management levels, and reduce corporate risks. This article combs the related concepts of internal control, the relationship between internal control and financial management, and analyzes the problems and countermeasures in the financial management of small and medium-sized enterprises from the perspective of internal control.

1. Introduction

In the modern market environment, market competition is becoming more and more fierce, and the survival and development environment of enterprises is becoming more and more complicated. As a major part of the market economy, SMEs have inadequate internal control mechanisms and financial management systems, and most SMEs’ financial management still has a deeper "rule of man" thought, which is mainly judged by the personal experience of managers. In this case, it is difficult to exert the effectiveness of the internal control system, resulting in the weak ability of small and medium enterprises to deal with risks. In this context, how to improve the financial management environment of small and medium-sized enterprises under the guidance of internal control, build a financial management system for small and medium-sized enterprises, and improve the level of financial management of small and medium-sized enterprises is a topic that needs urgent research.

2. Theoretical research on internal control

2.1 The concept of internal control

In the 1990s, internal control theory began to develop in our country, and gradually became popular in the future, and became an important part of the modern management system of enterprises. The theory of internal control has been valued, and it has been more and more widely used and practiced. Subsequently, the effectiveness of internal control in the internal management of the enterprise has been effectively brought into play, and its importance has become more and more important for the enterprise.

Internal control is a kind of effective control procedures and methods to achieve effective constraints on the various production factors of the enterprise, so that the various production factors of the enterprise can exert its maximum efficiency, so as to ensure that the enterprise can achieve the minimum output in the production and operation process. Obtain the greatest benefits, thereby enhancing the production and operation capabilities and market competitiveness of the enterprise, and then ensuring the long-term, sustainable and healthy development of the enterprise.

2.2 Influencing factors of internal control

First, the internal environment of the enterprise. The internal environment is the basis for an
enterprise to implement internal control, which generally includes governance structure, institutional setup and distribution of powers and responsibilities, internal audit, human resource policies, corporate culture, etc. The second is corporate risk assessment capabilities. Enterprise risk assessment capability refers to a series of measures taken by an enterprise to identify risks, analyze risks, and formulate risk response measures. The establishment of a good comprehensive risk management system by an enterprise can help reduce the probability of occurrence of risks and improve the level of enterprise risk response. The third is the internal control mechanism. The internal control mechanism is the sum of a series of measures and operating mechanisms for internal risks in an enterprise. Generally, corresponding control measures are adopted according to the results of risk assessment to control risks within an acceptable level. The fourth is corporate information and communication capabilities. At present, the level of enterprise informational construction has become an important force in determining enterprise development. Good information and communication skills can reduce communication costs, increase the role of informational in promoting business, improve communication efficiency between departments, and promote enterprise performance. The fifth is the internal supervision mechanism of the enterprise. Internal supervision is an enterprise's supervision and inspection of the establishment and implementation of internal control, the establishment of a special internal supervision department, and the introduction of external forces, which play an important role in discovering internal control defects and improving the effectiveness of internal control.

![Diagram](image)

**Figure 1 Influencing factors of internal control**

3. The relationship between internal control and financial management

3.1 Internal control and financial management complement each other

Financial management and internal control are in a complementary relationship. For small and medium-sized enterprises, the standardization of financial management is insufficient, and the internal control mechanism has not yet been established to make up for the financial management caused by the lack of audit supervision and related financial management systems. Therefore, if small and medium-sized enterprises want to enable their financial management level to better support their production and operation activities, they need to strengthen the internal control of corporate financial management, and control the financial risks of the enterprise by giving play to the role of internal control in financial management. The standardization of financial management enables the financial management of enterprises to be carried out in an orderly manner.

3.2 The goals of financial management and internal control are consistent

In essence, the essential purpose of financial management and internal control is to improve the standardized management level of the enterprise, reduce the risk of the enterprise, and achieve the goal of production and operation. Financial management is to standardize the management of enterprise costs and expenses from the financial dimension, and optimize the management process.
The internal control is to ensure the effectiveness and efficiency of the company's production and operation, to ensure that the financial reports issued by the company are true and reliable, and to ensure that the company abides by relevant laws and regulations and internal rules, which are consistent with the goals of corporate financial management.

3.3 Financial management is the basis for internal control

First of all, internal control includes the content of financial management. Internal control refers to the establishment of an internal control system by optimizing all aspects of the production and operation of the enterprise from the perspective of the overall development of the enterprise to promote the continuous virtuous circle of the enterprise. On the one hand, internal control based on its own scientific rules and regulations provides internal and external system guarantees for the smooth progress of corporate financial management, reduces the interference of human factors on financial management, and continuously promotes the scientific and smooth operation of financial management. On the other hand, internal control itself has integrated the relevant concepts of corporate management, which can provide a guarantee for the development of corporate financial management. Secondly, financial management can provide relevant support for the improvement of internal control, including financial support and data support.

4. From the perspective of internal control, the problems in the financial management of SMEs

4.1 The concept of internal control is relatively backward

Our country's market economy started relatively late, and its management concepts and tools lag behind the Western developed butlers. In the field of internal control, domestic related concepts are immature. Especially for small and medium-sized enterprises, their managers have short-sighted development and lack sufficient understanding of the internal control management of the enterprise. They believe that the internal control management of the enterprise cannot bring considerable economic benefits to the enterprise. On the contrary, it will increase the burden of enterprise management. The traditional internal control management concept is backward, only staying on the work surface and lacking strong execution. In addition, some companies lack the organic coordination of various departments when carrying out specific internal control management, resulting in the lack of clarity in the management responsibilities and responsibilities of each department, and the lack of coordination among various departments, and there are many management loopholes.

4.2 The internal control management mechanism is not perfect, and the degree of information is low

With the continuous development of information technology, the internal control mechanism based on the information foundation will become an inevitable trend of development. However, for many small and medium-sized enterprises, the degree of development of accounting information is still relatively low, which cannot meet the actual needs of enterprise development. In view of the insufficient willingness of the internal management of the enterprise to build information, it is impossible to find that information technology is not suitable for data, process, information, etc. The contribution of financial management work is unable to build an information-based internal control mechanism, resulting in the inability to deliver accounting information in a timely and accurate manner, and low resource sharing, which affects the efficiency and quality of the internal control work of the enterprise.

4.3 Lack of supervision mechanism

At present, most small and medium-sized enterprises in my country have established corresponding supervision and management mechanisms, leading to the lack of effective supervision of internal business activities and financial activities, leading to a series of financial risks. From the perspective of the internal supervision and management environment of the
enterprise, although the audit department is established when the enterprise builds the internal organization, the independence of internal audit work in most enterprises is poor, and the function of internal supervision cannot be fully exerted.

4.4 Financial workers are of low quality

The progress of enterprise management is separated from the support of talents, and the construction of internal control system and the innovation of financial management require innovative financial talents as support. However, the poor working ability of financial personnel in small and medium-sized enterprises hinders the development of enterprises to a large extent. In addition, due to the deficiencies in the internal control organization structure of many small and medium-sized enterprises, the unclear division of responsibilities of personnel will also have a certain degree of negative impact on corporate financial management.

5. Financial Innovation Management Strategy Oriented by Internal Control

5.1 Innovate concepts and increase the importance of internal control

Strategic innovation, ideas first. Establishing a correct financial management concept is an important prerequisite for SMEs to carry out financial management innovation. It is necessary to establish innovative thinking and constantly change traditional thinking. Small and medium-sized enterprises should embed the concept of benefit and risk in the essence of the core culture of the company, always have a beneficial thinking, and regard risk control as one of the core competitiveness of the company. Secondly. We must fundamentally recognize the importance and necessity of financial management innovation for enterprises. In the era of big data, if a company does not have innovative thinking, it will be quickly eliminated by this era. Small and medium-sized enterprises must continuously rely on the development of technology to continuously improve themselves, process financial data information, and strengthen innovation in financial management, Establishing the correct financial management. Financial management innovation concept is conducive to the long-term development of the enterprise.

5.2 Strengthen internal supervision

First of all, SMEs should set up a special supervision department to promote the construction and implementation of the company's internal control system and supervise the implementation of the company's internal control work. Secondly, a systematic financial management system needs to be formed, which is not only conducive to the development and soundness of corporate financial work, but also conducive to the work of other departments, but also enhances the security of employees' work. From the perspective of internal control, ensure the independence of financial management and prevent other department personnel from interfering with and controlling related work. Third, corporate management should strengthen their understanding of financial management and the importance of financial management independence, not only to prevent management from improperly intervening in financial management related work, but also to actively support the work of the internal audit department.

5.3 Improve the application of information technology in the field of financial management

Financial information is currently an important content in the field of financial management. As small and medium-sized enterprises, they should strengthen the construction of financial information, continue to promote the construction and improvement of information systems, and promote the integrated construction of financial information for enterprises. Secondly, small and medium-sized enterprises should strengthen their control over the security of information systems. The security of information systems determines the confidentiality of financial data, which is also related to the survival and development of enterprises. They should focus on and strengthen the security of information systems. To develop relevant security measures, reduce errors caused by the irregularities of the staff in actual operation, strengthen the staff's awareness of internal control, and promote the integration of information into the internal control of the financial management of
small and medium-sized enterprises.

5.4 Train innovative financial managers

The continuous innovation of financial management is inseparable from the support of talents. In order to strengthen the cultivation of financial innovative talents, enterprises need to improve the personnel training mechanism, build a systematic financial training platform, and create conditions for the continuous improvement of the capabilities of financial personnel. Secondly, it integrates employee training and performance appraisal to increase the motivation of employees to learn, strengthen training effects, regularly implement financial management personnel training and appraisal, and include appraisal results in the employee promotion mechanism to ensure that employees keep up with the trend of the times and continuously improve themselves. Third, strict entry thresholds for the recruitment of financial personnel, a fair and reasonable internal promotion mechanism should be established for internal financial personnel, to promote the flow of departmental personnel, promote the enthusiasm of personnel promotion, and improve the overall quality of financial personnel.

6. Conclusion

SMEs should innovate their development concepts, attach importance to the importance of corporate internal control, strengthen internal supervision, keep up with the pace of development of the times, strengthen the application of information technology, and continue to cultivate innovative talents to improve the efficiency of SME financial management and drive the healthy growth of SMEs.

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