

Research on the Problems and Countermeasures of SMEs' Financial Leasing

Luo Wenbo

Tongji Zhejiang College, Jiaxing, Zhejiang, 314001, China

Keywords: small and medium enterprises; financing; financial leasing

Abstract: At present, many small and medium-sized enterprises have difficulties in financing due to their limited size or industry characteristics, which are characterized by financing chaos, financing difficulties, and financing. Financial leasing has a huge role in expanding the financing channels for SMEs in China. Financing leasing is a new type of financing. It has certain differences from traditional leasing methods, traditional instalment financing methods, and bank loans. It is undoubtedly a major tool to solve the financing difficulties of SMEs. The article analyzes the current situation of financing for SMEs, discusses the main advantages of financial leasing, and focuses on the problems faced by SMEs in China using financial leasing, and proposes countermeasures.

1. Introduction

In the wave of market economy, China has rapidly developed a number of small and medium-sized enterprises, which play an important role in promoting and supplementing in all areas of social and economic activities. The poor external financing situation makes this funding problem difficult to solve. In this context, many academic researchers began to analyze this issue and tried to propose a financing lease financing model that is more suitable for China's national conditions.

2. Analysis of the current situation of SME financing

2.1 Status of endogenous financing

Currently affected by the formation model of SMEs in China, SMEs use more endogenous financing when financing. The capital of the founder of the enterprise, the retention of funds for business development and the injection of funds by new shareholders after the establishment of the company are the three modes of endogenous financing. According to the data survey, the internal financing of China's small and medium-sized enterprises increased from 6734.886 in 2010 to 1,103.78 billion yuan in 2015, an increase of 430.895 billion yuan, with a cumulative growth rate of 63.86%. According to the substantial increase in financing amount and the cumulative growth rate, it can be seen that the internal financing of SMEs has maintained a relatively fast growth rate, but in fact, China's current financing is far from meeting the needs of enterprises.

2.2 Status of external financing

Although SMEs are the main force of China's national economy, SMEs are also facing difficulties. SMEs have reached saturation in the Chinese market, and enterprises need to be bigger and stronger in order to obtain longer-term development, but SMEs do not have the ability to develop on their own. Therefore, SMEs must use external forces to promote their own development, and external financing is the only choice for SMEs. SMEs in China mainly use external financing in the following ways:

First, bank financing. Due to the weak strength of SMEs, there is a large risk of default, which is extremely unfavorable for banks. This makes many commercial banks reluctant to make financing loans to SMEs.

Second, capital market financing. Financing in the capital market is also a financing method that many SMEs hope to carry out, but it is more difficult for SMEs to enter the capital market for financing. This is because China's requirements for SMEs to enter the capital market are relatively

strict, and many SMEs simply cannot enter the capital market.

Third, private loans. The private lending market is not a formal capital lending market. The system requirements are not as strict as bank financing, and the requirements and restrictions on SMEs are low. Therefore, private lending occupies a certain position in the external financing of SMEs.

3. The main advantages of financial leasing

3.1 The threshold of financing lease is low

For equipment manufacturers, their direct equipment can be sold as soon as possible, while for SMEs, they hope to get advanced production equipment as soon as possible. In such a situation, both parties to the financial leasing have a need for each other. For companies that provide financial leasing, their internal information requirements for SMEs are relatively low, because they invest in physical objects and have relatively low risks. The leasing company obtains profits by collecting rents through leased equipment. This kind of leasing method requires less cost than the high price of equipment, so that SMEs with relatively few funds can use the equipment by lease and achieve the purpose of reducing costs. .

3.2 Long financing period and flexible payment of rent

In general, the products produced by small and medium-sized enterprises are not bulky products, so the best-selling products are usually only three to five years. The purchase of complete sets of equipment during this time period will result in huge waste in the later stages of the equipment, and the duration of the financial lease can be from 1 day to more than 7 years. This time period can meet the equipment usage time requirements of many enterprises. For small businesses, this lease is longer and can meet the production needs of the company. When the enterprise pays the cost of the leased asset, it does not pay the cost consistently for all the lease years, but adopts a staged payment method. And you can also negotiate with the financial leasing companies to choose a variety of suitable rental payment methods.

3.3 Revitalize existing assets to improve financial status

For some SMEs, the use of financial leasing in their production activities can revitalize the company's fixed assets, so that these assets continue to create benefits for the enterprise. In the traditional commercial bank credit asset mortgage, banks generally do not want or do not recognize the company's fixed assets for mortgage. They believe that these assets of the company are difficult to become cash assets or have low ability to liquidate. The use of financial leasing allows companies to transform fixed assets into collateralized assets in a disguised manner.

4. Problems faced by Chinese small and medium-sized enterprises in adopting financial leasing

4.1 SMEs' own problems

First, SMEs do not pay rents on time, which makes financial leasing impossible. When renting equipment, small and medium-sized enterprises in China often pay rent according to the market sales status of the products. When the product sales are not good, the rent is refused, which causes problems in the entire system of financial leasing. Second, SMEs have low ability to apply funds for financial leasing, and they cannot effectively exert the huge benefits that financial leasing brings to corporate finance. Third, there is a kind of mistrust of financing when SMEs use financing leases for financing. That is to say, many small and medium-sized enterprises will transfer profits in this way to obtain profits, and refuse to pay rents in a loss state. Or use the rented equipment for other purposes.

4.2 Problems with financial leasing companies

China's financial leasing business started for a short time, and the financial leasing market is still immature. An effective, scientific and reasonable financial leasing management norm has not yet been formed in the market. There are a lot of financial leasing companies in the market and there are big differences in qualifications. This makes many small and medium-sized enterprises not get the support of “real price” when they cooperate. At the same time, some financial leasing are also unwilling to cooperate with SMEs. They will target the cooperation of large enterprises and some government-administered SMEs. For private SMEs, they often adopt an evasive attitude.

4.3 Macro environmental issues

Under the conditions of market economy, the business activities of enterprises are closely related to the overall macro environment. The lack of macro environment is also the main factor that causes the development of the financial leasing market to be imperfect. First, China's financial leasing legal system is imperfect, which makes both parties to the financial leasing lack effective legal protection and related business reference. Second, the social recognition of financial leasing in China is still not high. There are problems in the society that do not understand and dare to use this method of financial leasing. Third, the penetration of financial leasing in China's economy is relatively low. The existence of these macro issues has become a major constraint to the development of financial leasing in China.

5. Suggestions for promoting financial leasing for SMEs

5.1 Government aspects

To promote the orderly development of the SME financial leasing market, it is necessary to establish a sound macro-market environment, and this requires the government's main leading role in enterprise development. To this end, the government should do the following work and promote the development of the financial leasing market.

First, it is necessary to strengthen the legal maintenance environment for financial leasing and formulate relevant laws on financial leasing. Thereby providing a strong external guarantee for the development of the financial leasing market. The use of legal protection to promote the financial leasing of both sides of the financial leasing business, so as to promote the overall healthy development of the market. Second, strengthen policy support. The current development of financial leasing in China is still in its infancy, and the development of this stage is relatively difficult and slow. At this time, the government needs to support the initial stage of financing leasing development.

5.2 Enterprise aspects

Promoting SMEs to start from their own needs SMEs to do the following work:

First, keep the promise and pay the rent in a timely manner. According to the matters stipulated in the lease contract, the SMEs shall pay the full amount of rent to the financial leasing company within the stipulated time. By paying attention to the business credit rental business, increasing the creditworthiness of both parties, stabilizing the cooperative relationship between the lesers and the parties, maintaining the market order of the financial leasing market, and enabling SMEs to obtain greater benefits in the development of the financial leasing market. Second, SMEs should change their perceptions of financial leasing, strengthen their understanding of financial leasing, and use this financing model to drive the diversification of corporate financing. SMEs should treat financing leases as an effective financing method for enterprises, and adjust the financing plans of enterprises to suit the development needs of financial leasing. Third, cultivate the credit awareness of the upper and lower employees of the enterprise, and use the equipment strictly in accordance with the terms of the equipment rental contract during the equipment rental period. During the period, if there is a problem with the equipment, it should be promptly fed back to the financing leasing enterprise, thus forming a benign development relationship between the financial leasing parties.

5.3 Financial leasing company

To better promote the development of financial leasing, financial leasing companies are also one of the key forces. To this end, financial leasing should do the following work: First, increase the propaganda of financial leasing, and do a good job of explaining the financial leasing of SMEs. So that SMEs can better understand financial leasing. Second, treat private SMEs equally and incorporate private SMEs into their business targets. The market positioning of financial leasing companies should be adjusted to serve SMEs to obtain a larger market. Third, through internal and external conditions, to cultivate and introduce financial leasing talents, thus enriching the company's financial leasing business team. The role of talents in the development of financial leasing is decisive, so it is necessary to form a group of professional and technical personnel.

References

- [1] Based on the financing lease method to solve the financing difficulties of SMEs [J]. Deng Ping. National Circulation Economy. 2019 (06)
- [2] Analysis of the status quo and reasons of financial leasing in China's SMEs [J]. Bai Yanying. Western Leather. 2019 (10)
- [3] SME financing lease problem and countermeasure research [J]. Zhao Yunfang. Finance and Accounting Learning. 2018 (04)
- [4] The status quo and innovative development of China's SME financing leasing [J]. Yu Yuting. Western Leather. 2019 (04)