

The Research for the Solution of Private Enterprises Financing

LIU Zhongwen

School of Economic and Management, Shandong University of Science and Technology, P.R.China,
266510

School of Management, China University of Mining and Technology, P.R.China, 221008

Abstract: The private enterprises are playing an important role in our country's economic life. However, Financing difficulty has become the key question which restricts and hinders private enterprises development. There are many reasons for private enterprises financing difficulty, for example private enterprises' own limitation, the less effective government supporting policies, as well as narrow financing channels and so on. This article will discuss on three aspects: strengthening the government support dynamics, consummating the indirect financing system with the bank as its center, constructing the direct financing system with the multi-level capital market as the center to provide the policy support for solution of private enterprises financing.

Keywords: Capital market, Finance, Direct financing, Indirect financing, Private enterprises

1 Introduction

The private enterprises are playing an important role in our country's economic life and rises unceasingly to the national economy technical progress factor. The private enterprises is displaying more and more important function on employment, satisfying inhabitants' diversification and personalized demands, realizing society coordination and so on. However, the fund insufficiency and finance difficulty of private enterprises cannot satisfy their need to develop, becoming the primary factor which restricts and hinders its development. The reasons of private enterprises finance difficulty is various, including private enterprises' own limitation, the government support dynamics, but narrow finance channel is one of the most important reasons. This article will discuss on three aspects: strengthening the government support dynamics, consummating the indirect finance system with the bank as its center, and constructing the direct finance system with the multi-level capital market as the center.

2 Strengthening the government support dynamics

The government should pay more attention to private enterprises development in order to provide policy support and fund support to private enterprises.

2.1 Consummating policy laws and regulations construction

The method by making financial policies, tax policies and laws and regulations which are useful to private enterprises is used by most countries in the world.

At present, china has stipulated "the People's Republic of China Private enterprises Promotion Law" and "Instruction on Establishing Private enterprises Credit Guarantee System Experiment site ". But the policies, laws and regulations which have been formulated now are not effective enough to help private enterprises to finance, for instance "Law of private enterprises" and "Individual Dealer Law" has not been stipulated until now. Therefore, the government should speed up the formulation to consummate each policy which supports private enterprises development and the government should also find the method to solve the difficulties met by private enterprises during the management and production as soon as possible. At the same time, the government department should speed up the establishment of private enterprises laws and regulations system ,and formulate "Law of private

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enterprises", "Individual Dealer Law", "Commercial credit Law" and so on as soon as possible in order to provide the legal foundation to private enterprises' development and safeguard private enterprises' each right free from aggression.

2.2 Providing special finance support fund to private enterprises development

Profits from other countries' experiences, the discussion begin from the following several aspects in order to display financial fund's functions.

First, the employment subsidy. The employment subsidy is to give financial subsidy to the privately operated enterprises that provide more employment posts. Presently, the government may give employment finance subsidy to the privately operated enterprises that solve more unemployed; so the enterprises may use these funds to carry on for the staff posts training or open advanced courses for the staff and so on.

Second, give suitable incline for the private enterprises in the government procurement. Many countries have obtained good effects on using the government procurement to support private enterprises' development. In our country, the scale of government purchases is becoming bigger year by year, so we should profit from the developed countries' experiences to give certain proportion to private enterprises.

Third, loan with deducted interest. The loan with deducted interest is that the government provides the fiscal subsidy to the private enterprises which loan, and it can use few financial funds to impetus many society funds to support private enterprises. There are two methods about loan with deducted interest: one, is subsidy to be given to the part of private enterprises' free loan which outdoes the market average interest in order to enhance private enterprises' challenge ability in free credit market; the other, is the deducted interest is provided to private enterprises' long-term low-interest loan in order to help private enterprises to obtain the long-term credit fund.

Fourth, the technological transformations and the research and development subsidy. Developed countries' governments often sets up the government special fund to subsidize private enterprises' research and development. Our country should get wide fund to compose the private enterprises technological transformations fund and the new product development fund to support private enterprises' technological transformations and new products' development.

3 Consummating the indirect financing system by taking banks as the main body

Our country's present finance system is prior to state-owned banks which basically serve the state economy and lacks small financial organ with private enterprises necessary. Therefore, our country should speed up the state-owned commercial banks' reform and establish the indirect financing system which taking the state-owned commercial bank primarily and taking the small financial organ auxiliary.

3.1 Improving state-owned commercial bank loan function

3.1.1 Speeds up the state-owned commercial bank the credit mechanism reform

First, improve state-owned commercial bank's loan examination and approval procedure and the information acquisition channel to form the operation mechanism and the policy which suits the privately operated enterprises loan request. Simultaneously, our county should attempt to establish the special department which loan to privately operated enterprises and the department is responsible to solve the privately operated enterprises' credit problems. The second, our country should reform and consummate state-owned commercial banks giving credit extension gradually, and give certain loan jurisdiction to the branch office in order to fully transfer the basic unit organizations' enthusiasm to enhance the loan examination and approval efficiency. The third, our country should continue to advance the interest rate marketability improvement and relax the transaction expense limit to enhance the bank's loan enthusiasm.

3.1.2 Developing many series of financial service to privately operated enterprises, and push on "throws the loan alliance"

Because most of privately operated enterprises' scales are small, and they have no gained record and their fixed assets and so on as the tangible assets are few, they are difficult to get to banks' loan standard. To establish the "throws the loan alliance" which the bank plays intermediate's role between

the venture capital company and the privately operated enterprises, the bank will loan to the venture capital company and the venture capital company lends the fund again to the privately operated enterprises. Both sides realize the superiority supplementary.

3.2 Establishing and consummating small financial organ system

To solve the problem which private enterprises gets fund by financing indirectly is insufficient, the most important measure our country needs to take is to cultivate the privately operated financial organ which is willing to provide fund to private enterprises. In the situation of the state-owned commercial banks' right centralism and the organization contraction leave financial service blank in recent years, our country should speed up the small financial organ development step suitably which is an effective measure to promote private enterprises' development.

3.2.1 Transforming the management mechanism of the existing small financial organ

Its goal lies on eliminating government interventions, urging the financial organ to realize true commercialize management, and opening market to the non-state-owned small financial organ. Only by this can the competition be promoted and enabling the small financial organ to have the power to get close to private enterprises, and finally establish long-term and stable cooperation relationship with private enterprises in order to reduce the degree of unsymmetrical information.

3.2.2 Increasing the privately operated financial organ's development positively

Through introducing privately operated property right and strengthening competition to strengthen the profit motive of banks. The government should permit the domestic privately operated economics to enter into finance domain. The privately operated financial organ generally cannot be effected by the national political factors, and most its managements look profit as the guider. Therefore, the new privately operated financial organ will concentrate the main energy on the market domain which has not been developed yet, especially those small companies and the enterprises founded short time ago, but private enterprises occupy majority in those enterprises.

3.2.3 Establishing the special private enterprises financing organization

The financial power of the special private enterprises financing organization is nearly equal to private enterprises'. If the government can give many supports, the special private enterprises financing organization may engage on private enterprises' financing and enhance the quality of private enterprises financing to promote financial industry and private enterprises to develop.

3.3 Establishing perfect private enterprises credit guarantee system

At present when private enterprises apply to loan from banks, most of which either have few effective property as mortgage nor be difficult to find the enterprises suitable to the bank credit condition and also glad to be guarantee. Therefore, we can say that private enterprises' finance difficulty is one kind of credit difficulties in most times. Therefore, the establishment of the perfect private enterprises credit guarantee system is an essential link in the progress of consummating private enterprises indirect financing system.

The government can adopt certain preferential measures on finance and tax support, tax revenue and so on in order to support the credit guarantee organization's development. The society should establish many kinds of private enterprises credit guarantee organizations, and our country should permit and encourage common people to establish many guarantee organizations in order to expand guarantee fund originates. We can use private enterprises mechanism flexibility to enhance guarantee industry competitiveness. Our country should build good legal system environment, credit environment and social environment to improve the credit guarantee organization's development and let the guarantee organization give the maximum support to private enterprises financing.

In addition, the credit rank which is a level of judging loan credit's confidence is an effective method to win the guarantee organization's belief and to obtain the fund. It is very important to establish the perfect private enterprises credit rating in order to appraise private enterprises credit scientifically. The government should guide people to establish some credit appraisal companies which are independent, facing to private enterprises and managed by marketability ways in order to eliminate barrier for the private enterprises finance.

4 Constructing direct financing system by the multi-level capital market as the

main body

In different stages and growth cycle, enterprises require different financing arrangement. The nature of demand for capital decides that private enterprises finance can not simply rely on indirect financing, at the same time, direct financing plays an irreplaceable role for private enterprises. Taking many useful measures to establish a multi-layer capital market system is an appropriate choice to private enterprises for financing directly.

4.1 Opening the main board market further

Direct financing from the stock market is an effective way for private enterprises to realize low-cost expansion. Direct financing in stock market has many advantages in the allocation of resources. In China, the ratio of stock financing has increased, but there are only tens of billions of dollars each year. This means that China's stock market has tremendous potential and room for development. To develop the stock market, it is necessary to further open up the main-board market, and gradually widen condition, lowering the threshold for the access to stock markets to create conditions for private enterprises directly access to the Main Board.

4.2 Improving the private enterprises board and establishing the Growth Enterprises Market

In order to build a multi-layer capital market system as soon as possible, we should formulate specific regulatory standards and tools that will really reflect the characteristics of the private enterprises board, ensuring the integrity of the operation of small and medium enterprises through strengthening supervision. On this basis, we should gradually relax the conditions for listing of private enterprises, and gradually eliminate restrictions on enterprises to be profitable for three years and instead focus on the growth of private enterprises to make the private enterprises board truly become a GEM. On the other hand, while the private enterprises board is having been established successfully, the GEM should be launched as soon as possible. GEM is the only solution to the financing of private enterprises, especially the key for high-tech enterprises. The establishment of the GEM market, is impossible to wait until we have completed all measures and there is no risk. We should be based on lessons learned from abroad, actively promote the establishment of GEM.

4.3 Developing and improving the bond market

Our bond market is not open to private enterprises. The issuing of corporate bonds uses the way of "scale control, centralized management, classification approval". The scale and various indicators within the scope are determined by government every year. The way of issuing bonds prescribes that the corporate of issuing enterprises bonds whose company's net assets should be limited, and should be guaranteed by the good reputation of the enterprises. These series of conditions limit private enterprises to enter into the bond market. All of the above in the development and improvement of the bond market is an objective need to broaden financing channels for private enterprises directly.

First, reforming the existing system of issuing bonds, abolishing the concept of ownership of examination and approval of the bonds issue mechanism, canceling the amount of bonds , relaxing restrictions on the use of funds raised, and promoting market-oriented interest rate issuance of corporate bonds; Second, building and improving a multi-level system for the bond market, through the integration of existing market, we should gradually establish a national bond trading market, regional bond market and the local bond market ,which was structured by vertical three-tier structure, and OTC transactions each other horizontally integrated bond market; Third, strengthening supervision and risk management systems, establishing the sink fund system in order to establish bonds secured mechanism to standardize the bond rating agency's credit rating system and strengthen the protection of the laws.

4.4 Creating a small capital market for private enterprises

Many countries, based on the characteristics of private enterprises, gain access to capital markets through the creation of small capital market. At present, we can try to set such a small capital market for financing which is managed by transaction office, and provide services especially for private enterprises to access and transfer capital.

We should reopen OTC trading market and strengthen supervision. We can allow standardized, non-listed companies with good returns OTC financing. It is necessary to the risk investment, create withdraw exit, and optimize the capital structure of the market. First, it can reduce the over-dependence

on the Main Board and explore the direct financing channels for high-tech privately operated enterprises. Secondly, it will provide a solid foundation to accumulate experience for the establishment of GEM in the future. Through carve out enterprises listing first at the counter market, there will be a preliminary evaluation on market value of assets, so it can make good preparations for entering into the Main Board or GEM. It is not only to improve the quality of listed enterprises, but also conducive to the creation of a mechanism to eliminate the listing of enterprises, and at the same time it can reduce the overall risk of the capital market greatly.

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The author can be contacted from e-mail :: Lzw3541@sohu.com or: Lzw3541@sina.com

