

Research on the Financing Constraints of Small and Medium-sized Enterprises in Hainan under the Background of Digital Inclusive Finance

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Abstract: Under the socialist market economic system of our country, the government, through the “invisible hand,” carries on macro regulation and control to improve the financing constraints that small and medium-sized enterprises are facing. But because of the huge base number of small and medium-sized enterprises in our country, there are many kinds, and the problem of financing constraints is still puzzling the development of enterprises at present. With the continuous promotion of inclusive finance in our country, the problems plaguing SMEs in the last mile of financing are gradually improved. In this context, small and medium-sized enterprises in Hainan Free Trade Port are taken as the research object to study the role of digital inclusive finance on the financing constraints of SMEs. The research shows that, first of all, small and medium-sized enterprises in Hainan Free Trade Port generally have financing problems. The development of digital inclusive finance solves the “last kilometer” problem of traditional finance, enhances financial access ability, broadens the financial service group, provides convenience and diversified services for SMEs’ financing, and provides inexhaustible impetus for the long-term healthy development of SMEs. Secondly, digital inclusive finance alleviates the financing difficulties faced by SMEs on the island by reducing financial costs and expanding the scale of credit.

Keywords: Digital inclusive finance; Small and medium-sized enterprises; Financing constraints

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1. Introduction

Since its reform and opening up, China’s economic and social development has achieved remarkable results that have attracted worldwide attention. Among them, the vast number of small and medium-sized enterprises have provided a powerful driving force for the continuous prosperity and progress of China’s socialist market economy^[1]. As the forefront of China’s opening up, small and medium-sized enterprises in Hainan Province, as one of the most active subjects in economic development, have achieved excellent development results in the wave of reform and opening up. Especially in the new era, under the promotion of national policies, the establishment of Hainan Free Trade Port has provided new impetus and policy support for the development of small and medium-sized enterprises on the island. In the development of small and medium-sized enterprises, the problem

of financing constraints has long been a major test for the development of small and medium-sized enterprises in the world. Although under the conditions of China's socialist market economy system, the "invisible hand" of the government constantly improves the financing constraints faced by small and medium-sized enterprises through macroeconomic regulation and control, for small and medium-sized enterprises with a large base and many kinds, financing constraints are still puzzling the development of enterprises at present^[2]. With the continuous promotion of inclusive finance in our country, the problem of the last mile of financing for small and medium-sized enterprises has gradually been improved, but there are still some shortcomings in solving the last "one kilometer" problem^[3]. Digital inclusive finance, based on artificial intelligence, big data, and cloud computing, has brought new opportunities to the traditional financial industry, given the traditional financial industry a new definition, and opened up a new path for SMEs to finance.

2. Current situation of financing for SMEs in Hainan

The main difficulties faced by SMEs in financing in Hainan are summarized in the following aspects:

(1) Single financing channels

Small and medium-sized enterprises in Hainan have relatively single financing channels, mainly bank loans. However, due to their small scale and relatively high risk, banks are usually reluctant to provide sufficient loan support, making it difficult for these enterprises to obtain funds through traditional bank loan channels^[4].

(2) High financing costs

Even if they can get bank loans, SMEs usually need to pay higher interest, increasing the financing cost of enterprises. In addition, due to the lack of adequate collateral, these enterprises often need to pay higher guarantee fees, further increasing financing costs^[5].

(3) Limited financing scale

Small and medium-sized enterprises in Hainan are generally small in scale, and their operating income is limited, so their internal financing ability is relatively weak. This means that it is difficult for these enterprises to meet their financing needs through their accumulation, and they must rely on external financing support^[6].

(4) Insufficient policy support

Although the government has introduced some policies to support SME financing, the implementation effect of these policies is not obvious. For example, some policies have made it difficult for SMEs to enjoy the benefits of these policies due to asymmetric information, cumbersome approval procedures, and high application costs.

(5) Insufficient risk prevention mechanisms

Small and medium-sized enterprises in Hainan generally do not do enough in risk prevention. Once they encounter a financial crisis, these enterprises are often unable to deal with it and are prone to problems such as a capital chain break. The development of small and medium-sized enterprises needs a large amount of capital support, which is mainly reflected in the development of small and medium-sized enterprises^[7]. They need to continuously improve their production efficiency, and the improvement of production efficiency requires enterprises to constantly innovate in the production link. Including the renewal of manufacturing equipment, product performance innovation, and other aspects of comprehensive innovation to continuously improve the overall production efficiency of small and medium-sized enterprises to improve^[8]. According to the statistics of the Department of Commerce of

Hainan Province, at present, more than 99% of small and medium-sized enterprises in Hainan Province are mainly concentrated in agriculture, forestry, husbandry and fishing, accommodation and catering, and traditional manufacturing industries. And these traditional industries market competition pressure, the industry innovation difficulty is high objective factors lead to the small and medium-sized enterprises in Hainan Province in the enterprise innovation need to pay more cost input, and small and medium-sized enterprises due to their limited scale of operation, it is difficult to meet the further development of the capital needs through business sales. This leads to the objective problem that there is a universal financing demand of SMEs in Hainan Province. However, the financing demand of SMEs is almost universal. As a result, when providing services to such SMEs, financial institutions need to consider whether they can provide the financing funds required by relevant enterprises and also fully combine the operation and development of enterprises with capital needs to meet the requirements on the repayment ability of corresponding funds. As a result, SMEs need a long time to wait for financing, and after layers of screening, they can get the financing support of corresponding financial institutions.

In general, there is an imbalance between the large financing demand formed by the main body of small and medium-sized enterprises with a large total amount and the financial institutions with a small number of institutions serving too many clients^[9]. The difficulties faced by small and medium-sized enterprises in Hainan in financing mainly include single financing channels, high financing cost, limited financing scale, insufficient policy support, and insufficient risk prevention mechanism. These factors together lead to obvious financing difficulties faced by SMEs in Hainan Province.

3. The development status of digital inclusive finance in Hainan

Since 2011, Hainan's digital inclusive finance has shown an obvious development trend, with the overall development index constantly improving. This reflects that in the past ten years, Hainan Province has continuously promoted the development of digital inclusive finance and achieved relatively remarkable development results, and the development efficiency has shown an overall development trend of steady progress. The two indicators of the coverage breadth and use depth of the development of digital inclusive finance it is consistent with the development trend of the overall digital inclusive finance and have maintained a stable and sustainable development trend. This reflects the overall development of digital inclusive finance in Hainan Province, which has not only realized the sustainable development of a wider scope of coverage but also continuously improved the depth of use of digital inclusive finance in Hainan Province. In addition, it shows that the overall development of digital inclusive finance in Hainan Province shows a benign development trend based on constantly expanding the coverage and use level of digital inclusive finance. However, according to the change trend of the digitalization degree in the development of digital inclusive finance, the development of digital inclusive finance in Hainan Province shows obvious fluctuations. This reflects that the digitalization degree of digital inclusive finance in Hainan Province is not stable.

As a form of inclusive finance, digital inclusive finance has shown a good development trend in recent years. Through consulting the data on the website of Peking University Digital Finance Center, it is found that the digital inclusive finance index of Hainan Province reached 158.26 in 2013 and rose to 385.58 in 2019. The digital inclusive finance of Hainan Province as a whole shows an increasing trend of development year by year.

However, due to the low digital inclusive financial development index in some county-level cities, the digital inclusive financial development index of Hainan Province has grown slowly in the past two years, but as a whole, it has increased by at least 18 index points every year. At the same time, in 2015, the growth rate of

digital inclusive finance in Hainan Province was faster, increasing by 28.23% compared with 2014. But in 2016, the growth rate of digital inclusive finance in Hainan Province was 0.53%, showing a slowing trend. To a certain extent, it indicates that the initial popularization of digital inclusive finance in Hainan Province has achieved remarkable results, but there is still a large room for improvement.

From 2016 to 2018, it showed a rapid upward trend, indicating that with the implementation of the reform of digital inclusive finance in Hainan Province, some economically underdeveloped cities have gradually increased their efforts to promote digital inclusive finance. Furthermore, the development level of inclusive finance in Hainan Province as a whole has improved rapidly. Compared with 2016, the growth rate in 2017 was 19.04%, which is a fast growth rate. In 2019, the digital inclusive financial index of Hainan Province was 328.75, which showed a decrease in growth rate compared with 2018, while the average of the national digital inclusive financial index in 2019 was 323.73. It can be seen that the development status of the digital inclusive financial index of Hainan Province is closely in line with the national average on the whole.

However, the development level of digital financial inclusion in Hainan Province is still not stable enough, and the gap between cities in the province is still large. It is necessary to further strengthen the popularization of digital financial inclusion in Hainan Province.

4. Suggestions

The development of digital inclusive finance has continuously enriched the supply channels of financial products, and financial institutions need to pay attention not only to the launch of financial products that are popular in the market but also to the launch of diversified product portfolios to meet the financial needs of a small number of consumers. In the current market environment, the financing needs of small and medium-sized enterprises are obviously at the end of the market for financial institutions. However, because there are many small and medium-sized enterprises and their financing needs are diverse, they can also match the bulk financing transaction volume well. Financial institutions can also greatly promote the development of financial institutions by providing financing channels for many small and medium-sized enterprises and combining the aggregate advantage. The emergence of digital inclusive finance, by its significant role in reducing information asymmetry and financial exclusion, has gradually enhanced the tail-end effect of SME financing. That is, SMEs can also gain the attention of financial institutions and markets by their extensive coverage and wide range of business operations. This is conducive to the reduction of financing costs of SMEs, the expansion of financing scope, and then alleviating the financing constraints of SMEs.

4.1. Building a credit system for SMEs

One of the causes of SME financing constraints is information asymmetry, and digital inclusive finance is an effective way to solve this problem. At present, the information of small and medium-sized enterprises is scattered and unsystematic, and the information of small and medium-sized enterprises held by financial institutions is not complete, but if the information is blindly disclosed, it will inevitably cause serious information security problems. Therefore, government departments can organize and summarize the relevant information of small and medium-sized enterprises^[10], establish a general credit evaluation system for small and medium-sized enterprises, and improve the credit evaluation indicators, to provide referable evaluation standards for financial institutions and provide convenient financing services to support the development of small and medium-sized enterprises.

4.2. Promoting the digital development of financial institutions

China's large banking financial institutions have shown a clear trend of digitalization, with the increase of

financial technology investment and the promotion of digital transformation, the digital transformation of traditional banking financial institutions provides more convenient financing channels for small and medium-sized enterprises. Digitalization will become the mainstream trend of the next development of the financial industry, and other financial institutions should also join the ranks of digital transformation to keep up with the pace of the digital era, to cope with the diversified financing needs of small and medium-sized enterprises^[11]. In addition, the financing difficulties of SMEs are partly due to the low quality and efficiency of financial services. Therefore, in the process of digital transformation, attention should be paid to the supply-side structural reform of financial services, which should be optimized not only in terms of the quantity of supply, but also in the way of supply, to provide financial services that can better meet the financing needs of SMEs^[12].

4.3. Improving SMEs' awareness of information disclosure

On the one hand, as the main body of information disclosure, SMEs have the initiative in information disclosure. They should be encouraged and guided to consciously disclose information related to production, operation and finance on the premise of not harming their interests, improve information transparency, facilitate banks and other financial institutions to obtain such information in a timely and comprehensive manner^[13], and reduce transaction costs between financial institutions and SMEs. It is conducive to the long-term and healthy development of both financial institutions and SMEs^[14]. On the other hand, driven by the blockchain economy, information sharing has brought upstream and downstream enterprises closer together, and SMEs' improved information transparency is also conducive to their business expansion and long-term development^[15].

Disclosure statement

The authors declare no conflict of interest.

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