

Research on the Coordinated Development of Inclusive Finance and Financing for Small and Medium-sized Enterprises

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Abstract: As an important force in promoting economic and social development, small and medium-sized enterprises play a crucial role in enhancing China's economic strength, creating employment opportunities, and promoting industrial structural transformation. However, due to their inherent weaknesses, small and medium-sized enterprises often face difficulties in financing within the traditional financial service system. This makes it difficult for small and medium-sized enterprises to inject vitality into the development of the market economy by expanding their financing scale. Since 2013, China has vigorously developed inclusive finance and extended the services of traditional financial institutions to small and medium-sized enterprises, providing policy guidance, resource support, and technical support to alleviate the financing difficulties of small and medium-sized enterprises. Based on this, this article focuses on the current financing problems faced by small and medium-sized enterprises and specifically elaborates on how to lower the financing threshold for small and medium-sized enterprises and broaden their financing channels through inclusive finance, in order to promote the development of inclusive finance and a virtuous cycle of financing for small and medium-sized enterprises.

Keywords: Inclusive finance; Financing for small and medium-sized enterprises; Financial institution

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1. Introduction

At present, innovation-driven has become an important engine for China's economic and social development. Thoroughly implementing and implementing the innovation-driven development strategy will inevitably promote the vigorous development of small and medium-sized enterprises. Due to issues such as information asymmetry, unequal risk-return, and limitations in products and services, the financing difficulties faced by small and medium-sized enterprises have their historical inevitability and long-term nature. In this context, building a virtuous cycle mechanism between inclusive finance development and financing for small and medium-sized enterprises can help better provide financial product services to small and medium-sized enterprises, enhance their ability to serve regional economic development, and promote the healthy development of small and medium-sized enterprises.

2. The financing problems of small and medium-sized enterprises under the current development of inclusive finance

2.1. Unreliable risk protection mechanism for small and medium-sized enterprises

Due to the weak scale of their own production and operation, small and micro enterprises themselves do not have strong risk resistance capabilities, and their credit information is also incomplete. Meanwhile, small and micro enterprises are unable to obtain support and assistance in financing from existing policies^[1]. Therefore, they often find it difficult to obtain financing from formal financial institutions. This is mainly because China has not established a specialized credit reporting system and credit evaluation system for financing small and micro enterprises, and the risk protection mechanism for small and micro enterprises also needs to be improved. As a result, small and micro enterprises are unable to determine the amount and term of loans required based on their own credit and financial conditions when financing, making it difficult to effectively cope with external financial risks.

2.2. Imperfect management system for small and medium-sized enterprises

Although small and medium-sized enterprises are important pillars supporting regional economic development, some of them are easily rejected when applying for financing from financial institutions due to their imperfect management systems. Firstly, small and medium-sized enterprises lack mortgageable assets. Small and medium-sized enterprises must provide certain collateral to financial institutions when applying for loans. However, small and medium-sized enterprises in the early stages of entrepreneurship often face financing difficulties due to financial constraints, as they are unable to purchase fixed assets or meet the financing needs of financial institutions^[2]. Secondly, small and medium-sized enterprises face a crisis of integrity in financing. Currently, with the vigorous development of the socialist market economy, sincerity has become an important indicator for financial institutions to review corporate loan applications. However, some enterprises have outdated management models and lack specialized management talents, and some small and medium-sized enterprises find it difficult to achieve open and transparent financial management. Therefore, in response to potential integrity issues that may arise for small and medium-sized enterprises, financial institutions are more inclined to invest in large enterprises with orderly management and transparent information. Thirdly, most small and medium-sized enterprises have not fully recognized the importance of inclusive finance and rely too much on their own funds. Although self-owned funds can sustain the production and operation activities of small and medium-sized enterprises, the lack of external funding support can also exacerbate their operational risks, leading to a higher rate of bankruptcy. It can be seen that due to the unscientific and imperfect management system, small and medium-sized enterprises have obvious financing problems and constraints, making it difficult to achieve sustainable development^[3].

3. Suggestions for improving the financing efficiency of small and medium-sized enterprises through inclusive finance

The essence of inclusive finance is to provide appropriate and effective financial services to vulnerable groups and individuals who have long been overlooked by the financial market within their affordable cost range. The deep integration of digital technology and the financial sector has given rise to a new financial industry, namely “digital inclusive finance.” The proposal of the concept of “digital inclusive finance” plays a very important role in updating financial product design and reshaping financial service models. The deep integration of inclusive finance and financial technology not only breaks through the drawbacks of traditional financial services but also further enhances the inclusiveness of financial services. Since 2022, China’s digital inclusive finance has

entered a stage of digital transformation and upgrading. The networked and intelligent development of inclusive finance driven by digital technology has effectively improved the financing efficiency of small and medium-sized enterprises and solved their financing difficulties ^[4]. Based on this, the following text mainly elaborates on how to improve the financing efficiency of small and medium-sized enterprises through inclusive finance from the perspectives of government, financial institutions, and small and medium-sized enterprises under the new business model.

3.1. Government: Strengthen policy guidance, improve information infrastructure construction

Firstly, optimize the top-level design and establish a sustainable development mechanism ^[5]. The use of digital inclusive finance to alleviate the financing difficulties of small and medium-sized enterprises is a gradual process. Therefore, the government should strengthen institutional guidance at the policy level, and effectively integrate inclusive finance and digital technology to help small and medium-sized enterprises better access digital inclusive financial services. Specifically, building a reasonable strategic plan to promote the sustainable development of digital inclusive finance can effectively safeguard the financing rights and interests of small and medium-sized enterprises. This also helps to fully leverage the government's policy guidance function and promote collaborative cooperation among all parties. For example, with the encouragement of the government, relevant talents can build diversified digital inclusive finance platforms through research and innovation of core technologies, and then inject sustainable development momentum into improving the financing efficiency of small and medium-sized enterprises through multi-party cooperation. At the same time, the government should optimize the financing environment for small and medium-sized enterprises in the digital economy environment and establish a comprehensive regulatory system. Specifically, the government can refine and improve the existing regulatory framework, and establish a sound legal and regulatory system for financing. By promoting the orderly management of various emerging financing platforms and financial products, we can promote the healthy and efficient development of digital inclusive finance, and foster a positive interaction between inclusive finance development and financing for small and medium-sized enterprises ^[6].

Secondly, promote the construction of financial service outlets according to local conditions. Due to the uneven regional economic development in our country, the development of digital inclusive finance also shows regional differences. Therefore, to avoid polarization in the development of digital inclusive finance, local governments should promote the construction of digital facilities according to local conditions, and continuously optimize the basic conditions of informatization and intelligence such as network communication and payment settlement ^[7]. Continuously deepening the informatization level of financing services will help further enhance the precise support of digital inclusive finance for small and medium-sized enterprises. At the same time, local governments should also attach importance to the construction of financial service outlets, improve the infrastructure of inclusive financial services, and rely on digital technology to innovate inclusive financial service models, build information-sharing mechanisms, and promote the transformation and upgrading of inclusive finance.

3.2. Financial institutions: Strengthen model innovation and enhance financial service capabilities

Digital inclusive finance is the fundamental direction for the development of inclusive finance in China in the new era. Financial institutions, mainly banks, as the backbone of providing financing support to small and medium-sized enterprises, should actively assume social responsibility, collaborate with governments, regulatory agencies, etc., continuously explore countermeasures to alleviate the financing difficulties of small and medium-sized enterprises, and enhance their financial service capabilities for small and medium-

sized enterprises ^[8]. Firstly, financial institutions primarily composed of banks should accelerate their digital upgrading and innovation. In the process of promoting digital inclusive finance, financial institutions in traditional forms still play a relatively high role. However, in terms of improving the financing efficiency of small and medium-sized enterprises, the inclusiveness of these financial institutions still needs to be deepened. Therefore, in the new situation of industrial structure transformation and upgrading, financial institutions such as banks, securities institutions, and trust funds should actively utilize digital technology and methods to continuously promote their own innovation and transformation ^[9]. By breaking through the problem of information asymmetry in previous inclusive financial services, it can not only broaden the financing channels for small and medium-sized enterprises, reduce their financing costs, but also effectively innovate the inclusive financial service model ^[10]. In this regard, financial institutions can integrate digital technology into financial services and continuously introduce innovative inclusive finance models and new businesses, such as online financial supermarkets, digital supply chains, etc., thereby promoting financial institutions to better help small and medium-sized enterprises solve financing difficulties through reform and development.

Secondly, strengthen technological research and development, and deepen the integration of finance and technology. The development of digital inclusive finance is bound to promote the deep integration of finance and technology ^[11]. Therefore, relying on modern digital technology, financial institutions actively explore diversified digital financial business and service models, which helps to promote the intelligent, automated, and efficient development of financial services and effectively control the cost of financing transactions between financial institutions and small and medium-sized enterprises. Although the development of digital inclusive finance can greatly improve the convenience of financing for small and medium-sized enterprises, it inevitably generates other information risks because digital inclusive finance operates based on information networks. Therefore, financial institutions can build more accurate and effective credit rating and pricing models by continuously strengthening technology research and development, gradually improving the response of financial technology in the financing field of small and medium-sized enterprises ^[12]. This can enable financial institutions to better conduct credit rating, prediction, and real-time monitoring of small and medium-sized enterprises. Thus improving the risk management and decision-making efficiency for financing small and medium-sized enterprises. At the same time, by strengthening blockchain research and development, financial institutions in various regions can establish an information exchange mechanism for mutual communication and sharing, in order to enhance their ability to prevent and manage financial risks ^[13].

3.3. Small and medium-sized enterprises: Strengthen internal structural adjustment, improve self-financing ability

As the main beneficiaries of finance, small and medium-sized enterprises should face up to the problems exposed in their financing process in the context of digital inclusive finance transformation and upgrading, and then shape a good production and operation image through internal structural adjustment and management innovation ^[14]. Firstly, small and medium-sized enterprises should strengthen self-regulation, establish a scientific operational management system, and clear rules and regulations. Small and medium-sized enterprises belonging to vulnerable groups have a higher degree of exclusion from finance in the development of the market economy. In this regard, small and medium-sized enterprises should also be adept at utilizing the advantages of digital technology and leveraging digital inclusive finance to tap into their potential for sustainable development. At the institutional level, actively improving the internal financial mechanisms of small and medium-sized enterprises is an important way to break down the credit barrier between financial institutions and enterprises, which helps to deepen the financial connection between the two sides and promote

communication and interaction between them.

Secondly, small and medium-sized enterprises should keep pace with the times and strengthen technological and structural innovation. Through innovative application of digital technology in production and business activities, small and medium-sized enterprises can effectively improve the technological content of their products and promote the sustainable and high-quality development of their main business. At the same time, in response to the financing issues that may arise when developing innovative projects at the current stage, small and medium-sized enterprises should actively cultivate core competitive advantages and make reasonable adjustments to the available digital financial resources based on the importance of their main business. This can ensure the rational allocation of financial funds, capital, and projects, improve the efficiency of internal fund application in small and medium-sized enterprises, and effectively avoid the occurrence of ineffective investment behavior. Moreover, small and medium-sized enterprises can continuously strengthen technological innovation to meet diverse financing requirements. In the past, when small and medium-sized enterprises submitted loan applications to banks, they often mortgaged tangible assets such as real estate and equipment. With technological innovation and research and development, small and medium-sized enterprises can provide financial institutions with intangible collateral assets that meet their requirements, such as patent rights, trademark rights, etc. In this way, small and medium-sized enterprises receive effective financing guarantees.

Finally, new forms of financing should be explored. Small and medium-sized enterprises can make full use of local financing preferential policies when developing projects and develop detailed financing plans based on them. By paying attention to relevant tax preferential policies, small and medium-sized enterprises can comprehensively analyze financial development projects within the scope of policy support, and effectively evaluate whether they can meet their requirements ^[15]. In addition to understanding the financing preferential policies in the region, small and medium-sized enterprises should also collect authentic financial information as much as possible, and effectively evaluate the risks of external funds on this basis, which can create favorable conditions for promoting the long-term rental development and profitability of small and medium-sized enterprises. Improving the financing and credit capabilities of small and medium-sized enterprises as a whole through the above channels can help maximize the benefits of business operations and promote the stable operation of small and medium-sized enterprises.

4. Conclusion

In summary, an in-depth exploration of the relationship between inclusive finance development and financing for small and medium-sized enterprises from the perspectives of government, financial institutions, and small and medium-sized enterprises can help truly solve the problem of financing difficulties for small and medium-sized enterprises. Therefore, in the context of the development of the digital economy, the government should improve the financial market system and establish a sound supervision system to provide policy guidance and institutional guarantees for the financing of small and medium-sized enterprises. Financial institutions should actively develop “digital+” financial products, and provide more financial choices for small and medium-sized enterprises through innovative mortgage loan mechanisms and financial service models. Small and medium-sized enterprises should also continuously improve their management level, expand their business scope through technological innovation, and create core competitive advantages, in order to effectively overcome financing difficulties and achieve healthy development.

Disclosure statement

The authors declare no conflict of interest.

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