



**COUNTERMEASURES FOR FINANCING DIFFICULTIES OF SMALL AND  
MEDIUM-SIZED ENTERPRISES IN BAISHAN CITY, JILIN PROVINCE  
— DIATOMITE INDUSTRY**

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**This Independent Study has been approved as a Partial Fulfillment of the  
Requirement of International Master of Business Administration in  
International Business Management**

**2023**



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### **ABSTRACT**

Small and medium enterprises(SMEs) financing have always been troubled by the survival and development of enterprises the main problem. Taking Baishan City, Jilin Province as the research background, this paper analyzes the financing status of small and medium-sized enterprises in Baishan City and the reasons for financing difficulties, based on the perspective of enterprises, specifically analyzes the development status of diatomite industry and the production and operation of enterprises in Baishan City. The purpose of this study is to analyze the financing difficulties of SMEs. The four objectives of this study are: 1.To explore the impact of institutional construction of financial institutions on financing; 2.To explore the impact of policy environment and legal environment on financing; 3.To explore the impact of enterprise scale and collateralized assets on financing costs;4.To explore the impact of corporate governance structure, financial system and information asymmetry of banks and enterprises on financing.

This paper analyzes the problems by using mixed research method, and adopts the theory of credit rationing, information asymmetry, financing life cycle, financing guarantee theory and relational lending theory.

This paper flexibly uses the financing theory of small and medium-sized enterprises to conduct research. The following measures can solve all research problems in this paper : 1.The government should innovate the financial system, that is, establish a sound financial system that matches the development of small and medium-sized enterprises;2.Should create a high-quality financing environment and a sound service system, improve the operating capacity of small and medium-sized enterprises, and reduce the risks of the government and banks.;3.Effectively improve the quality of small and medium-sized enterprises themselves, improve credit conditions, reduce the difficulty of financing small and medium-sized enterprises, and increase the willingness of banks to lend;4.Small and medium-sized enterprises should build a modern enterprise system and improve the corporate governance structure, and improve the enterprise financial system to eliminate the problem of information asymmetry between banks and enterprises.

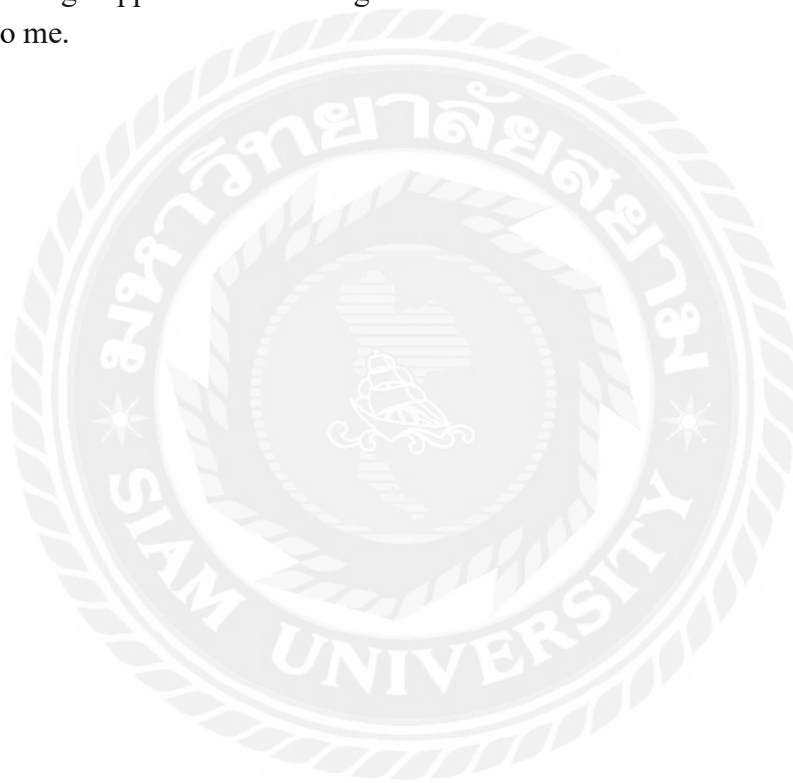
**Keywords: small and medium enterprises, diatomite industry, financing difficulties, recommendations.**

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## Declaration

*I, Liu Zhanbiao, hereby certify that the work embodied in this independent study entitled “Countermeasures for Financing Difficulties of Small and Medium-sized Enterprises in Baishan city, Jilin Province-DIATOMITE INDUSTRY” is result of original research and has not been submitted for a higher degree to any other university or institution.*

*Liu Zhanbiao*

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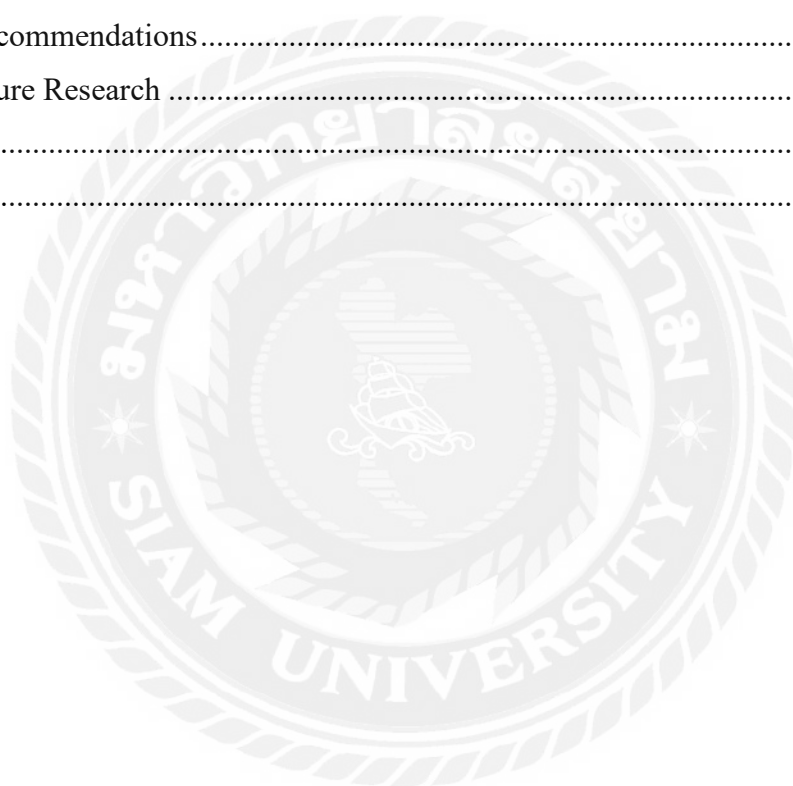
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# Chapter I Introduction

## 1.1 Research Background

Baishan City, Jilin Province is in the hinterland of Changbai Mountain in the southeast of Jilin Province, with an area of 17,485 square kilometers and a population of 1.254 million, of which 917,000 are urban residents, accounting for 73.1% of the total population; The rural population is 337,000, accounting for 26.9% of the total population. Baishan City was developed based on the construction of forest industry and coal industrial base in northeast China under the planned economic system, and after a hundred years of development, it has formed a certain production capacity and industrial foundation, and is an important timber, coal and mineral base in northeast China. Since the founding of the People's Republic of China, Baishan City has produced 85 million cubic meters of wood and 240 million tons of raw coal for the country (Zhou, 2005). Since the 50s of last century, the state has invested in the establishment of a number of large and medium-sized state-owned enterprises such as Tonghua Mining Bureau, Tonggang Plate Iron Mine, Hunjiang Power Generation Company, Linjiang Forestry Bureau, Songjiang River Forestry Bureau, Lushuihe Forestry Bureau, and six provincial forestry bureaus, and the local government has also actively invested in the establishment of a number of key enterprises such as Xifeng Plastics, Tiancheng Group, Linjiang Hydropower, Songhua Paper, Jinlong Wood Industry and so on. Based on the advantages of local resources, an industrial development system focusing on minerals, energy, forest products, medicine, chemical industry, food, building materials, plastics and automobile supporting with local characteristics has initially taken shape.

In recent years, Baishan City has adhered to market-oriented, new material industry represented by diatomaceous earth environmental protection functional materials and silicon solar energy materials, and modern logistics industry represented by cold chain warehousing, logistics and distribution as a hope industry. At present, the added value of resource-based pillar industries and advantageous industries accounts for more than 80% of the city's industry, the resource-based economic system has basically taken shape, the total economic volume has been continuously expanded, the economic efficiency has been significantly improved, the fiscal revenue has increased year by year, and the economic strength has been greatly enhanced. Small and medium-sized enterprises in the private economy have made great progress and have increasingly become the backbone of the city's economic development (Zhou, 2005).

During 2019, the city achieved the main business income of the private economy of 191 billion yuan, an increase of 7.5% over the previous year; The added value of the private economy reached 38.12 billion yuan, an increase of 5.4% over the previous year, accounting for 52.5% of GDP; The actual tax paid was 3.21 billion yuan, an increase of 8.8% over the previous year, accounting for 47.3% of the total fiscal revenue and 68.0% of the local-level fiscal revenue; There were 363,000 employees in the private economy, an increase of 1.3% over the previous year, accounting for 58.4% of the city's employment (Baishan City Bureau of Industry and Information Technology, 2020).

Due to its large number and industrial distribution mostly labor-intensive industries, it plays a crucial role in absorbing employment and alleviating the contradiction between labor supply and demand and has made significant economic and social contributions. However, correspondingly, the problem of financing difficulties for small and medium-sized enterprises has not been solved well and fundamentally, and small and medium-sized enterprises are still in a weak position in the financing competition with large enterprises.

As the end of December 2019, the balance of enterprise loans in the city was 28.952 billion yuan, an increase of 3.065 billion yuan over the beginning of the year. Among them, the balance of loans to large enterprises was 8.251-billion-yuan, accounting for 28.5% of the total loan balance, an increase of 492 million yuan from the beginning of the year; of which the balance of loans to small and medium-sized enterprises was 20.701-billion-yuan, accounting for 71.50% of the balance of enterprise loans, an increase of 2.573 billion yuan from the beginning of the year. Among small and medium-sized enterprises, the balance of loans to medium-sized enterprises was 12.625 billion yuan, accounting for 43.60% of the balance of enterprise loans, an increase of 1.092 billion yuan from the beginning of the year; the balance of loans to small enterprises was 5.822 billion yuan, accounting for 20.11% of the balance of enterprise loans, an increase of 509 million yuan from the beginning of the year; and the balance of loans to microenterprises was 2.255 billion yuan, accounting for 7.79% of the balance of enterprise loans, an increase of 972 million yuan from the beginning of the year. The increase in loan balances for small businesses for medium-sized businesses was lower than the citywide average (Baishan City Center Branch of the People's Bank of China, 2019).

## **1.2 Research Problems**

As a post-economic development area, Baishan City is also facing the problems of financing difficulties for small and medium-sized enterprises, such as high bank lending risk, low credit rating, lack of collateralized property, high financing cost and low financial credibility. However, it is particularly outstanding in the following aspects:

In terms of financial institution services, at present, there are only 7 financial institutions in Baishan City: Industrial and Commercial Bank, Construction Bank, Agricultural Bank, Bank of China, Postal Savings Bank, Bank of Jilin and Rural Credit Union.

In terms of public services for SME financing, although the SME Service Center has been set up at present, its service function is very weak, and it cannot provide better functions of entrepreneur training, enterprise management guidance, job skills training, entrepreneurial counseling, and economic information consulting services. The development of social intermediary services lags, and all of them are for profit, the service cost is high, and small and medium-sized enterprises cannot obtain effective public services (Jia, 2010).

In terms of credit guarantee services, by the end of 2019, there were 8 SME financing guarantee institutions in Baishan City, with total net assets of 1,537.18 million yuan, and the balance under insurance was only 1,537.75 million yuan, and the magnification factor was only 1 time, that is, it did not play an amplification role. Among the eight guarantee companies, there is only one policy financing guarantee company, and its registered capital is only 50 million yuan, which is far from effectively meeting the financing guarantee needs of small and medium-sized enterprises. At present, Baishan City has not established a credit guarantee risk compensation mechanism for small and medium-sized enterprises, nor has it carried out re-guarantee business, and due to the consideration of risk factors, the enthusiasm of various financing guarantee institutions to provide financing guarantees for small and medium-sized enterprises is not high (Baishan City Center Branch of the People's Bank of China, 2019).

In terms of policy support, in order to implement the national and provincial policies on promoting the development of small and medium-sized enterprises, the Baishan municipal government and various financial institutions have issued corresponding policies to solve the financing difficulties of small and medium-sized enterprises, and some measures have been taken, but their systematization and practical operation need to be improved, especially the internal audit control system of financial institutions has not achieved a high degree of integration and consistency with national policies in some aspects, the concept of credit investment with overriding risk control occupies the first place, and the flexibility of credit review and investment is low (Jia, 2010). This results in a lower chance of SMEs accessing loans. At present, small and medium-sized enterprises in Baishan City are still facing the problems of large operational risks of small and medium-sized enterprises, high risk of bank lending, poor management level, low credit rating, lack of property that can be guaranteed and mortgaged, and low authenticity of financial information of small and medium-sized enterprises, which restricts the access of small and medium-sized enterprises to bank loans.

In order to truly free small and medium-sized enterprises from the dilemma of financing difficulties, it is not only necessary to establish a sound financial system suitable for the development of small and medium-sized enterprises, but also to build a public service system conducive to the healthy development of small and medium-sized enterprises, but also to effectively improve the quality of small and medium-sized enterprises, strengthen enterprise capacity building, improve the level of operation and management, and study new financing methods in the current financing environment (Xu, 2012). As a result, we have identified four main problems that currently exist:

1. Lack of financial institution services.
2. Insufficient government policies have seriously affected the financing of small and medium-sized enterprises.
3. The scale of the enterprise is too small, there are too few assets available for collateral, and the financing cost is too high.
4. Lack of modern business management concepts, non-standard corporate governance structure, incomplete financial systems, and asymmetric information between banks and enterprises.

### **1.3 Objective of the Study**

The difficulty of financing small and medium-sized enterprises is not a characteristic problem of individual regions or special groups, but a common problem faced by small and medium-sized enterprises all over the world (Xu, 2012). This paper will analyze the financing status of small and medium-sized enterprises in Baishan City, combine domestic and foreign research and the actual local economic situation, and select the diatomite industry as the research and analysis object from the perspective of enterprises.

1. To explore the impact of institutional construction of financial institutions on financing.
2. To explore the impact of policy environment and legal environment on financing.
3. To explore the impact of enterprise scale and collateralized assets on financing costs.
4. To explore the impact of corporate governance structure, financial system and information asymmetry of banks and enterprises on financing.

### **1.4 Scope of the study**

This paper aims to analyze the financing status of small and medium-sized enterprises in Baishan City, combined with the actual local economic situation, from the perspective of enterprises, select the diatomite industry with an important position in the city, the province and even the whole country as the research and analysis object, To specifically analyze the development status of the diatomite industry and the production and operation of enterprises, the main problems of diatomite enterprise financing, the choice of financing channels, the improvement of production and operation conditions and the improvement of enterprise management level, in the current financing environment. Corresponding countermeasures are put forward to make the theory and practice of this paper conform accordingly, provide useful theoretical support and practical reference for financial services for small and medium-sized enterprises, and achieve the purpose of guiding practice by theory and verifying theory in practice (Zhang & Zhang, 2015).

1.The government should innovate the financial system, that is, establish a sound financial system that matches the development of small and medium-sized enterprises.

2.Should create a high-quality financing environment and a sound service system, improve the operating capacity of small and medium-sized enterprises, and reduce the risks of the government and banks.

3.Effectively improve the quality of small and medium-sized enterprises themselves, improve credit conditions, reduce the difficulty of financing small and medium-sized enterprises, and increase the willingness of banks to lend.

4.Small and medium-sized enterprises should build a modern enterprise system and improve the corporate governance structure, and improve the enterprise financial system to eliminate the problem of information asymmetry between banks and enterprises.

## **1.5 Research Significance**

To solve financing problems, and this paper carefully sorts out the main basic theories involved in the financing of small and medium-sized enterprises, summarizes the main research results at home and abroad, and finally summarizes, on this basis, combined with the actual development of the whole country, Jilin Province and Baishan City, Jilin Province, selected the diatomite industry in Baishan City, which has a certain economic status in Jilin Province and even the whole country, as a typical sample for analysis. Based on the research of domestic and foreign scholars on the financing difficulties of small and medium-sized enterprises, taking the financing difficulties of small and medium-sized enterprises as the research object, comprehensively using the relevant theories of small and medium-sized enterprise financing, combined with the characteristics of small and medium-sized enterprises, and taking the current financing problems as the starting point, the reasons and key crux of the financing difficulties of

small and medium-sized enterprises are specifically analyzed (Qiao, 2011). At the same time, combined with the development status of diatomite industry in Baishan City, Jilin Province and the specific analysis of enterprise financing difficulties, and from the perspective of enterprises, countermeasures and suggestions are put forward to solve the financing difficulties of small and medium-sized enterprises.



## **Chapter II Literature Review**

### **2.1 Concept of research subject**

The difficulty of financing SMEs is not a characteristic problem of individual regions or special groups, but a common problem faced by SMEs all over the world. Many experts and scholars at home and abroad have extensively and deeply explored this issue. Through the research on the financing problems of small and medium-sized enterprises, the theoretical foundations involved in this paper are mainly as follows: credit allocation theory, information asymmetry theory, financing life cycle theory, financing guarantee theory and relational lending theory.

### **2.2 Personality traits of research subject**

#### **2.2.1 Inspiration**

This paper deeply studies the financing difficulties of enterprises in the diatomite industry in Baishan City, analyzes the various influencing factors of SME financing in detail, and combines the integration of the diatomite industry in Baishan City and draws on the successful experience of the project, and puts forward targeted and guiding countermeasures to solve the financing dilemma of SMEs, which realizes the unity of general and individual, and provides reference and reference for other SMEs to deal with financing problems.

From the three aspects of enterprises, banks, government and social public services, the causes of financing difficulties of small and medium-sized enterprises are studied, and countermeasures are proposed. First, in terms of small and medium-sized enterprises, they should strive to improve their own quality, improve credit conditions, reduce the difficulty of financing small and medium-sized enterprises, and increase the willingness of banks to lend; Second, the government should create a high-quality financing environment and a sound service system, improve the operating capacity of small and medium-sized enterprises, and reduce the risks of the government and banks; Third, in terms of financial institutions, we should carry out innovation in the financial system, that is, establish a perfect financial system that matches the development of small and medium-sized enterprises (Li, 2010). However, in these three aspects, the improvement of the enterprise itself is the key point to solve the financing difficulty, which is the internal cause and the fundamental reason for the enterprise to achieve financing, while the financial institution, the government and the socialized service system are the external factors of enterprise financing, which is the external cause and the external condition for the enterprise to achieve financing. Only by improving their

own quality as soon as possible can enterprises fundamentally solve the financing problems of enterprises.

### **2.2.2 Commitment**

The research of domestic and foreign scholars on the financing difficulties of small and medium-sized enterprises, this paper takes the financing difficulties of small and medium-sized enterprises as the research object, comprehensively uses the relevant theories of small and medium-sized enterprise financing, combines the characteristics of small and medium-sized enterprises, and takes the current financing problems as the starting point, and makes a specific analysis of the reasons and key crux of the financing difficulties of small and medium-sized enterprises (Li, 2014). At the same time, combined with the development status of diatomite industry in Baishan City, Jilin Province and the specific analysis of enterprise financing difficulties, and from the perspective of enterprises, countermeasures and suggestions are put forward to solve the financing difficulties of small and medium-sized enterprises.

## **2.3 Theoretical underpinnings**

The theoretical foundations involved in this paper are mainly as follows: credit allocation theory, financing life cycle theory, financing guarantee theory and relational lending theory.

### **2.3.1 Credit rationing theory**

In 1981, Stiglitz and Weiss published an article in the American Economic Review that comprehensively and systematically analyzed the phenomenon of credit rationing from the perspective of information structure (Stiglitz & Weiss, 1981). So what is credit rationing theory? It means that under a certain fixed interest rate level, because the demand for credit is always greater than the supply of credit, the entire loan demand cannot be met. Due to the consideration of information asymmetry, national industrial policy, enterprise credit, enterprise operating conditions, credit risk, credit income and other factors, banks can only invest funds in some enterprises, and other enterprises cannot obtain loans. At the same time, banks adopt methods such as raising interest rates and improving loan conditions to curb enterprises' desire to lend and eliminate excess demand.



### **2.3.2 Financing guarantee theory**

When an enterprise cannot obtain sufficient funds through direct financing, there is also an indirect financing method, that is, obtaining loan funds through guarantees. However, when financial institutions grant loans to enterprises, in order to reduce their own risks as much as possible and improve their business interests, they often issue loans by receiving collateral. The company pledges the assets as collateral in exchange for the required funds. Wes Berger and Udell found that in the United States, loans from financial institutions account for 53 percent of all SME liabilities and 26.66 percent of total capital and liabilities (Berger & Udell, 1998). In the UK, although the proportion of commercial bank loans to the external liabilities of SMEs is declining, the most important source of borrowing funds for SMEs is still banks. It can be said that loans from financial institutions are still the most important and widely used external financing method for small and medium-sized enterprises. Companies raise funds by issuing commercial paper and bonds, which SMEs simply cannot achieve.

### **2.3.3 Life cycle theory**

According to the changes of financing sources at different growth stages of enterprises, the theory of Financial Life Cycle of The Firm is proposed, which divides the corporate financing life cycle into establishment period, growth stage I, growth stage II, growth stage III, maturity period and decline period. At different stages of enterprise development, the demand for funds will be different, and this change in capital demand shows cyclical characteristics, which supports the life cycle theory (Li, 2014). Generally speaking, the main source of funds in the establishment period is the company's own funds, the main sources of funds in the growth period are its own funds, retained profits, credit funds, equity financing and debt financing, the financing methods include all financing methods in the establishment period and the growth period, and the withdrawal of funds from the recession period, the sale and acquisition of enterprises, the share repurchase and asset liquidation.

### **2.3.4 Information asymmetry theory**

The first to study the phenomenon of information asymmetry was who found that in the transaction process, the party with more comprehensive information has the advantage of the transaction, and the party lacking information has a weak position. This makes the parties to the transaction lack confidence because they question each other's information. American economists Myers and Majluf conducted a more in-depth study of corporate investment decisions based on the study of information asymmetry theory (Myers & Majluf, 1984). The study found that when choosing a financing method, a company first thinks of the circulation funds of the company's internal business activities, followed by applying for loans from banks and other financial institutions, and finally choosing bond or stock financing. However, For small and medium-sized enterprises, their company scale is small, the financial system is not

perfect, the problem of wrong accounts and false accounts occurs frequently, financial institutions cannot trust them, the information they have has no credibility, and financial institutions are at a relative disadvantage, so lending to small and medium-sized enterprises is not assured, so the financing difficulties of small and medium-sized enterprises are more serious (Lin, 2014).

### **2.3.5 Relational lending theory**

Relational lending refers to the financing decided by banks mainly due to long-term and multi-faceted contacts with enterprises and a large amount of relevant information. They not only contain a lot of information about enterprise management, credit rating, character reputation of business managers, etc. , but also include the financial and operating conditions of enterprises, which is the essence of relational loan theory. Enterprises should establish long-term, close and transparent cooperative relations with banks, so that banks can understand and trust enterprises, and can safely place loans on enterprises. When the demander of funds and the provider of funds maintain good communication, in the long-term communication, you can better understand the real situation of the other party, grasp the internal situation of the capital demand enterprise, such as: enterprise operation, enterprise financial status, manager quality, enterprise credit, etc., establish a cooperative relationship of mutual trust, and can better control the scale of lending (Jackson III & Thomson, 2008). Reduce the lending risk of lenders, strengthen the willingness to lend, and at the same time strengthen the ability of enterprises in need of funds to obtain financing.

## **2.4 Factors are motivating.**

In the process of research and discussion, this paper carefully sorts out the main basic theories involved in the financing of small and medium-sized enterprises, summarizes the main research results at home and abroad, and finally summarizes, on this basis, combined with the actual development of the whole country, Jilin Province and Baishan City, Jilin Province, selected the diatomite industry in Baishan City, which has a certain economic status in Jilin Province and even the whole country, as a typical sample for analysis.

This paper deeply studies the financing difficulties of enterprises in the diatomite industry in Baishan City, analyzes the various influencing factors of SME financing in detail, and combines the integration of the diatomite industry in Baishan City and draws on the successful experience of the project, puts forward targeted and guiding countermeasures to solve the financing dilemma of SMEs, realizes the unity of general and individual, and provides reference and reference for other SMEs to deal with financing problems.

From the three aspects of enterprises, banks, government and social public services, the causes of financing difficulties of small and medium-sized enterprises were studied, and countermeasures were proposed. First, in terms of small and medium-sized enterprises, they should strive to improve their own quality, improve credit conditions, reduce the difficulty of financing small and medium-sized enterprises, and increase the willingness of banks to lend; Second, the government should create a high-quality financing environment and a sound service system, improve the operating capacity of small and medium-sized enterprises, and reduce the risks of the government and banks; Third, in terms of financial institutions, we should carry out innovation in the financial system, that is, establish a perfect financial system that matches the development of small and medium-sized enterprises. However, in these three aspects, the improvement of the enterprise itself is the key point to solve the financing difficulty, which is the internal cause and the fundamental reason for the enterprise to achieve financing, while the financial institution, the government and the socialized service system are the external factors of enterprise financing, which is the external cause and the external condition for the enterprise to achieve financing. Only by improving their own quality as soon as possible can enterprises fundamentally solve the financing problems of enterprises (Zhang & Zhang, 2015).

## **2.5 Research limited**

This paper combines the current economic development of China and the specific actual situation of the development of diatomite industry in Baishan City, analyzes the financing difficulty in detail, and puts forward specific targeted countermeasures and suggestions according to the actual situation, but because the author is not a staff member of the diatomite industry, the understanding of the industry is limited, the professional basic knowledge and cognitive ability are not enough, there is a gap in the understanding of some deep-seated problems faced by the diatomite industry, and the countermeasures and suggestions proposed may not be perfect. The writing needs to be further improved.

This article is for the analysis and research of the characteristics of small and medium-sized enterprises in the diatomite industry in Baishan City, because small and medium-sized enterprises in different industries often have different characteristics, so they can only be used for reference by other industries, that is, the industry is not necessarily too specific. To a certain extent, there is a lack of industry specificity.

## **Chapter III Research Methodology**

### **3.1. Research method**

This paper adopts a mixed research method.

In this paper, the diatomite industry, which has an important position in the city, the province and even the whole country as a case, through extensive and in-depth investigation and research, through the comparative analysis of a large number of reliable data, in-depth and meticulous research and analysis of the financing difficulties encountered in the development of the industry, and put forward specific and targeted countermeasures and suggestions, hoping to provide useful inspiration and reference for other small and medium-sized enterprises in solving financing difficulties (Wei, 2011).

This paper is not only limited to the qualitative analysis of the financing difficulties of small and medium-sized enterprises and their diatomite industry in Baishan City, but also conducts quantitative data analysis of financing problems through the statistics of government management departments and financial statements of enterprises, especially the comparative analysis of ratios is widely adopted to make the argument more convincing. This paper is more inclined to qualitative analysis, and quantitative analysis accounts for about 1/3 of the data support for qualitative analysis.

In order to facilitate the narrative reasoning, this paper first expounds the financing situation of small and medium-sized enterprises in Baishan City, and then analyzes and gives countermeasures for the financing problems of diatomite industry in Baishan City in detail, to realize the unity of commonality and individuality, and the unity of universal and special, and strive to ensure reliable data, scientific reasoning, clear logic and correct conclusions.

### **3.2 Case Description**

This time mainly surveyed small and medium-sized enterprises in Baishan City, Jilin Province. Due to the large number of small and medium-sized enterprises in Baishan City, and the industries covered are wide, which cannot meet the full sample survey, so the samples collected in this questionnaire survey are all industrial enterprises, in principle, the diatomite production enterprises are comprehensively surveyed, other industrial enterprises sampling survey, the enterprises participating in the questionnaire survey are small and medium-sized micro enterprises.

### **3.3 Data collection and analysis**

In order to ensure that the questionnaire has a relatively complete index design and ensures the scientificity and effectiveness of the questionnaire, the overall design process of the questionnaire is divided into three stages: first, the questionnaire is designed, and through interviews with instructors, relevant management departments of small and medium-sized enterprises in Baishan City (Baishan Industry and Information Technology Bureau, Baishan Statistical Bureau, relevant bank guarantee companies) and individual SME managers, the basic situation of local SME development and SME financing is preliminarily grasped, and then combined with the specific situation of this thesis research. Research the content of the survey, design the survey form and specific survey questions; The second is to adjust the questionnaire. The preliminarily designed questionnaire was submitted to the instructor, Baishan Bureau of Industry and Information Technology, Bureau of Statistics, Construction Bank, Bank of Jilin and Guarantee Company, and the questionnaire was revised and improved many times after listening to the opinions of all parties, and the arrangement, options and wording of the questionnaire questions were adjusted and corrected in combination with the idea of writing the paper. The third is to determine the scope of the survey object, determine the method of distributing the questionnaire and the method of questionnaire collection.

When the questionnaire is distributed, the questionnaire will be communicated to the respondents by phone or email, and the questionnaire will be distributed after obtaining the consent of the other party. The survey was greatly assisted by the staff of Baishan Bureau of Industry and Information Technology, Statistics Bureau and Diatomite Industrial Park, without their assistance, it would be very difficult to complete this survey, and it would not have been possible to complete it successfully. At the same time, some small and medium-sized enterprises that meet the survey requirements were also found to conduct a survey.

In principle, the diatomite production enterprises are comprehensively surveyed, other industrial enterprises are sampled, and the overall situation analysis of industries above designated size adopts statistical department statistics, and the enterprises participating in the questionnaire survey are all small, medium and micro enterprises.

#### **3.3.1 The scale, nature and capital needs**

Among the 172 enterprises surveyed, 80 were medium-sized enterprises, accounting for 46.5%; 71 small enterprises, accounting for 41.3%; There were 21 micro-enterprises, accounting for 12.2%.

Among the 172 enterprises surveyed, 83 were private enterprises, accounting for 48.3%; 61 limited liability companies, accounting for 35.5%; 12 joint stock limited companies, accounting for 7.0%; 6 other enterprises, accounting for 3.5; 4 joint-stock cooperative enterprises, accounting for 2.3%; 3 state-owned collective enterprises, accounting for 1.7%; There were 3 Hong Kong, Macao, Taiwan and foreign-invested enterprises, accounting for 1.7%.

Among the 172 enterprises surveyed, 121 enterprises had bank loan needs, accounting for 70.3%; There were 51 enterprises that did not need bank loans, accounting for 29.7%.

Among the 121 enterprises with bank loan needs, 82 enterprises required working capital loans, accounting for 67.8%; There were 24 enterprises that needed project construction capital loans, accounting for 19.8%; Another 15 enterprises needed both working capital loans and project construction capital loans, accounting for 12.4%.

Among the 121 enterprises with bank loan needs, 50 were medium-sized enterprises, accounting for 41.3%; 60 small enterprises, accounting for 49.6%; There were 11 micro-enterprises, accounting for 9.1%.

Among the 121 enterprises with bank loan needs, 64 were private enterprises, accounting for 52.9%; 40 limited liability companies, accounting for 33.1%; 9 joint stock limited companies, accounting for 7.4%; 5 other enterprises, accounting for 4.1%; There are 3 joint-stock cooperative enterprises, accounting for 2.5%.

According to the registration time of 172 participating enterprises, the most enterprises with a duration of less than 5 years were calculated, accounting for 57 of them, accounting for 33.1%; 52 enterprises with a duration of more than 5 years and less than 10 years, accounting for 30.2%; There were 52 enterprises with a survival time of more than 10 years and less than 20 years, accounting for 30.2%, and 11 enterprises with a survival time of more than 20 years, accounting for 6.4%.

Most enterprises have a long history, and the validity of data sources is high. Through the cross-comparison analysis of the duration of the enterprise and the scale of the enterprise, the duration of the enterprise is more than 5 years, and most of them can develop into medium-sized enterprises, and the production and operation are relatively stable.

### **3.3.2 Financing and guarantee methods**

Among the 172 enterprises participating in the survey, 48.0% of the current main channels of supplementary funds are loans from financial institutions, 34% of the current channels of supplementary funds are from profit retention and self-

accumulation, 9.3% of enterprises currently supplement funds mainly from inter-enterprise lending, 8.7% of enterprises currently supplement funds through loans from relatives and friends, and there is currently no private lending.

Among the 172 enterprises surveyed, the largest number of enterprises obtained bank loans with property collateral, accounting for 82.5%; 12.5% of enterprises obtained bank loans through mutual insurance; There are very few businesses that have access to bank lines of credit; At least 3.5% of enterprises choose to guarantee the guarantee company, because the guarantee company has a higher guarantee fee, the guarantee rate is about 2.5%-3.5%, and the financing cost is higher.

Among the enterprises that obtained bank loans by using enterprise property mortgages, 51.4% had obtained loans using private property mortgages; 42.6% of the enterprises have used the land of the company's factory as collateral to obtain loans from banks; 2.5% of enterprises obtained bank loans by discounting accounts receivable; Only 1.4 per cent of businesses and 2.1 per cent of businesses have access to bank loans with inventory and equipment as collateral.

It can be considered that the financing of enterprises is still based on self-financing and traditional financing channels of loans from financial institutions.

### **3.3.3 Status of enterprise management**

Among the 172 enterprises participating in the questionnaire survey, a total of 73 were corporate enterprises, accounting for 42.4%. Among the 73 corporate enterprises, 2 enterprises with a standardized corporate governance structure, accounting for 2.74% of the corporate enterprises; There are 14 enterprises with basic standard corporate governance structure, accounting for 19.2% of corporate enterprises; There were 57 households with a non-standardized corporate governance structure, accounting for 78.1% of the company's enterprises.

Among the 172 enterprises that participated in the questionnaire survey, 57 enterprises with their main management personnel from their own families accounted for about 1/2 of the company's management (chairman, general manager, deputy general manager, director, supervisor, accounting officer, etc.), accounting for 33.1%; The proportion is about 3/4 of the enterprises 52, accounting for 30.2%, the proportion of about 1/4 of the enterprises 31 enterprises, accounting for 18%, all from the family of enterprises 32, accounting for 18.6%.

Among the 172 enterprises participating in the questionnaire survey, 13 enterprises had a sound financial system, accounting for 7.6%; There are 95 enterprises with

basically perfect financial systems, accounting for 55.2%; There were 64 enterprises with imperfect financial systems, accounting for 37.2%.

Among the enterprises participating in the questionnaire survey, 32 enterprises had their financial statements regularly audited, accounting for 18.6%; There were 140 enterprises whose financial statements were not regularly audited, accounting for 81.4%.

Among the 172 enterprises participating in the questionnaire survey, 61% of the income of enterprises is mainly settled through the company's account, 31.4% of the enterprises sometimes do not enter the company's account, and 7.56% of the enterprises do not manage according to the requirements, but arbitrarily follow the account.

Among the 172 enterprises participating in the questionnaire survey, 15.1% had clear medium- and long-term development plans, 19.2% had vague medium- and long-term development plans, and 69.8% did not consider medium- and long-term development issues.

Through the cross-analysis of whether the corporate strategy is clear and the operation status of the enterprise, it can be seen that most of the enterprises with very clear strategic objectives have products adapted to sales, strong demand and strong profitability; However, due to the external environment, a small number of enterprises have not achieved stable production and sales even if the company's strategy is clear, and this part accounts for a relatively small part; For enterprises with vague future goals, the marketability of products is weak, and the situation of large cost expenditure, loss, overcapacity, etc. is much more serious than that of enterprises with very clear future goals.

Through the cross-analysis of the construction of the financial system and the scale of enterprises, the financial management system of some small and micro enterprises is not perfect, the income management is not standardized, and most of the state-owned, collective and holding enterprises regularly audit their financial statements.

Through the collected data, it can be considered that the imperfect corporate governance structure of enterprises is a common phenomenon, only some enterprises have a relatively perfect financial management and internal control system, with clear strategic objectives for the internal operation of enterprises have a significant role in promoting the internal operating conditions but cannot buffer the impact of external macroeconomics.



### 3.3.4 Main difficulties

Table 1 Main difficulties of SMEs

| Raw material costs | Labor costs | finance costs | Sales difficulties |
|--------------------|-------------|---------------|--------------------|
| 38.4%              | 36%         | 8.7%          | 4.7%               |

Among the 172 enterprises participating in the survey, 38.4% of the main difficulties faced in their operations were the rising cost of raw materials, 36% of the main difficulties faced in their operations were high financing costs, 8.7% of the main difficulties faced in their operations were rising labor costs, and 4.7% of the main difficulties faced in their operations were difficulties in product sales.

Of the 121 enterprises with financing needs that participated in the survey, 74 failed the preliminary bank examination and were therefore unable to obtain bank loans.

Table 2 Property mortgage loan

| Private property mortgage | Mortgage of enterprise factory land | Accounts receivable pledge | Equipment mortgage | Inventory mortgage |
|---------------------------|-------------------------------------|----------------------------|--------------------|--------------------|
| 51.4%                     | 42.6%                               | 2.5%                       | 1.4%               | 2.1%               |

Among the 74 enterprises that could not obtain bank loans, 38 enterprises had no collateral or insufficient collateral, accounting for 51.4%; There were 22 enterprises with restricted access in the banking industry, accounting for 29.7%, and 12 enterprises with poor operating conditions and poor repayment ability, accounting for 16.2%; 2 enterprises had credit problems, accounting for 2.7%.

In the process of applying for bank loans, most enterprises believe that the high cost of financing is the main difficulty encountered in the financing process, accounting for 40.1% at most; The proportion of enterprises with insufficient collateral was 24.4%; 22.7% of enterprises have limited credit; 3.5% of enterprises do not understand bank credit products and approval processes; 1.2% of enterprises cannot apply for bank loans due to corporate credit problems.

It can be considered that enterprises are most concerned about the high financing cost in the financing process, and the main difficulties encountered are high interest rates, high entry thresholds, and insufficient collateral.

### 3.4 Validity and Reliability

Table 3 Questionnaire recall statistics

| Total Sample | Recycling samples | Rewind rate | Valid questionnaire | Invalid documents | Effective rewind rate |
|--------------|-------------------|-------------|---------------------|-------------------|-----------------------|
| 200          | 200               | 100%        | 172                 | 28                | 86%                   |

A total of 200 enterprises were surveyed this time, a total of 200 questionnaires were distributed, and considering the current distribution of medium, small and micro enterprises in Baishan City, 80 medium-sized households, 80 small enterprises and 40 micro-enterprises were selected.

A total of 200 copies were recovered, of which 19 were micro-enterprises and 9 small enterprises, but simply kept running accounts, had no financial accounts, could not obtain bank loans at all, production and operation conditions were also poor, all sources of funds were self-financing, enterprises abandoned the investigation and handed over blank papers.

After the questionnaire recovery confirmed the situation, it can basically support the needs of this study.

### 3.5 Reliability and validity analysis of the scale

In this study, 200 questionnaires were distributed in the pre-test stage, and 200 files were returned, of which 172 were valid, so the validity rate of the pre-test was about 86%. The reliability analysis was conducted using SPSS statistical software, and the overall Cronbach's alpha value was 0.828. Therefore, the content of the first draft questionnaire did not have any deletion, and the results of the reliability test were as follows.

Table 4 Reliability statistics

| Cronbach's Alpha | Number of items |
|------------------|-----------------|
| .828             | 22              |

After factor analysis of the questionnaire in this study, the KMO value was 0.886; Bartlett's spherical test was 2369.184;  $P < 0.001$ . The test result of the KMO value was more significant than 0.7 and  $P < 0.001$ , which means that this sample data is suitable

for factor analysis.

The overall analysis of this study is shown below.

Table 5 KMO and Bartlett's test

|  |                         |          |
|--|-------------------------|----------|
| The Kaiser-Meyer-Olkin metric of sampling adequacy |                         | .886     |
| Bartlett's sphericity test                         | Approximate cardinality | 2369.184 |
|  | df                      | 71       |
|  | Sig.                    | .000     |

The subjects have been informed in advance of the scope and purpose of the study and promised not to disclose or invade any privacy of the participant during the study, and the participant can stop participating at any time if he wishes. The information collected in this research is lawful, permitted and authorized and does not violate any code of ethics.

### 3.6 Summary

Due to the small scale of SMEs, there are few assets available for collateral and the financing amount is limited; Non-standard management, lack of modern management concepts, no medium and long-term development goals, making business behavior short-term; The financial system is not perfect, resulting in information asymmetry between banks and enterprises; Low profit level, poor debt capacity, low solvency and poor capital operation ability increase the risk of lending to small and medium-sized enterprises; In addition, the region is remote and backward, does not have a good location advantage of economic development, the introduction and absorption of talents does not have advantages, lack of high-precision professionals, the overall scientific research strength is weak, the product technology content level is low, the competitiveness is poor, the enterprise anti-risk ability is weak, the life cycle is short, the average life of the enterprise is generally only about 3 years, especially the small and medium-sized enterprises in the start-up period, the uncertainty of production and operation is high, resulting in the psychology of small and medium-sized enterprises afraid of loans, cautious loans, and reluctant loans, out of consideration for the safety of credit funds. The credit ratio of small and medium-sized enterprises has been implemented, and the credit investment of financial institutions to small and medium-sized enterprises has been inhibited to a certain extent, and even put forward other high restrictions on the credit financing of small and medium-sized enterprises, which has increased the difficulty of obtaining credit loans from banks.

The financing difficulties of small and medium-sized enterprises in China have certain characteristics. In short ,in order to properly solve the financing situation of small and medium-sized enterprises, it is not a simple problem, the factors affecting all aspects, in addition to establishing a sound financial system suitable for the

development of small and medium-sized enterprises, building a sound public service system, in the current financing environment, it is particularly important to effectively improve the quality of small and medium-sized enterprises, should be strength enterprise capacity building, improve the level of operation and management, and improve social credibility, and study new financing methods (Deng, 2006).



## Chapter IV Data Findings and Discussion

### 4.1 Introduction

In the general shortage of funds of small and medium-sized enterprises, although the development of diatomite industry in Baishan City has an important position in the province and even the whole country, the diatomite industry in Baishan City cannot be left alone, and still faces the problem of insufficient funds for project construction and production and operation.

At present, 16 of the 37 diatomite production enterprises above designated size in Baishan City have a shortage of funds and need bank loans. It accounts for 43.2% of the total number of enterprises. Among them, there are 10 project construction fund loans, with a loan demand of 654 million yuan, and 10 working capital loan demand projects, with a loan demand of 166.1 million yuan. Due to various reasons, the loan needs of some enterprises cannot be met by banks. The details are as follows:

First, there is a widespread shortage of funds. 16 of the 37 industrial enterprises above the designated size have a shortage of funds.

Second, the loan collateral is insufficient. Five of the 16 enterprises with loan needs had insufficient collateral.

Third, the solvency of enterprises is insufficient. Among the 16 enterprises with loan needs, 6 enterprises have not repaid their old loans and intend to repay their old loans with new loans, and 1 enterprise is in a state of continuous loss.

Fourth, credit access is restricted. Two of the 16 enterprises with loan needs are engaged in industries prohibited from lending by financial institutions. Moreover, one of the enterprises was included in the prohibited list.

To sum up, diatomite enterprises in Baishan City, Jilin Province, like most other small and medium-sized enterprises, have practical characteristics and practical difficulties such as less collateral, limited credit access, insufficient solvency, and high financing risks. At the same time, we also see that due to the entry of strategic investor Jilin Yuan tong Co., Ltd., it has participated in and controlled some enterprises. It not only solves the problem of enterprise project construction funds and enterprise operating funds, but also stabilizes production and product sales prices to a certain extent. This approach is also of some guiding significance for other SMEs facing financing difficulties. Enterprises can obtain funds through bank credit, or they can adopt direct financing in the capital market, that is, direct financing and indirect

financing are combined, which not only solves the capital needs of enterprises, but also improves the efficiency of enterprises.

## **4.2 Themes**

### **4.2.1 Financial institutions**

In terms of financial structure services, at present, there are only seven financial institutions in Baishan City: Industrial and Commercial Bank, Construction Bank, Agricultural Bank, Bank of China, Postal Savings Bank, Bank of Jilin and Rural Credit Union.

From the above analysis, it can be seen that for now, the main source of financing for enterprises in China is still bank loans, which has caused the dominant position of banks in credit, resulting in a more serious credit ratio of small and medium-sized enterprises, in order to protect their own interests, pursue higher economic returns, reduce the risks undertaken, banks are often more "leaning" to large enterprises with stable operation, good financial status, greater credit demand and stronger repayment ability. This hinders SMEs' access to credit to some extent.

### **4.2.2 Policy & legal environment**

The lack of government policies also seriously affects the financing of small and medium-sized enterprises. In order to accelerate the healthy development of small and medium-sized enterprises, the state and provinces have successively issued financing policies to encourage and support the development of small and medium-sized enterprises on the financing difficulties of small and medium-sized enterprises, and the Baishan municipal government and various financial institutions have also issued corresponding policies and taken certain measures for the financing difficulties of small and medium-sized enterprises, but the systematic and operational nature of the policy measures is not strong. In particular, the internal audit control system of financial institutions has not achieved a high degree of integration and consistency with national policies in some respects, the concept of credit investment with overriding risk control occupies the first place, and the flexibility of credit review and investment is low, resulting in a lower probability of SMEs obtaining loans (Qiao, 2011).

Due to financial resources and other reasons, although Baishan City has established special funds for the development of small and medium-sized enterprises and industrial development guidance funds, the amount is small, far from meeting the needs of the development of small and medium-sized enterprises, and the guidance

mechanism to encourage and support the development of small and medium-sized enterprises needs to be further enhanced.

#### **4.2.3 Guarantee agency services, scale, assets and the financing costs**

In terms of credit guarantee services, by the end of 2019, there were 8 SME financing guarantee institutions in Baishan City, with total net assets of 1,537.75 million yuan, and the balance in insurance was only 1,537.18 million yuan, and the magnification factor was less than 1 times, which means that the guaranteed amplification effect has not been realized. None of the 8 financial guarantee companies have carried out re-guarantee business, and only 1 policy financing guarantee company among the 8 guarantee companies has a registered capital of only 50 million yuan, which is far from effectively meeting the financing guarantee needs of small and medium-sized enterprises (Baishan City Center Branch of the People's Bank of China, 2019).

So far, the risk compensation mechanism of credit guarantee for small and medium-sized enterprises in Baishan City has not been established, and the re-guarantee business has not been carried out, due to the consideration of risk factors, the enthusiasm of various financing guarantee institutions to provide financing guarantees for small and medium-sized enterprises is not high, coupled with the high guarantee fee, enterprises dare not ask questions, so that the credit guarantee system is difficult to play a good role in solving the problem of financing of small and medium-sized enterprises.

Due to the relatively small scale of small enterprises, small and medium-sized enterprises need a small scale of funds for normal production and operation in terms of the principle of matching business demand and scale. For financial institutions, based on the requirements of credit approval procedures, whether the scale of credit demand is small or the scale of credit demand is large, the operation process of the approval procedures is basically the same, but the small and medium-sized enterprises to issue loans, the income is relatively low, the risk is relatively large, the cost is relatively high, therefore, in order to reduce credit risks, reduce operating costs, and improve operating returns, the phenomenon of financial institutions "major and small", "poor and rich" has become an industry practice (Lin, 2014).

On the other hand, the amount of funds that financial institutions can provide to SMEs is usually determined according to the value of the collateral provided by SMEs and the capital needs of enterprises. From the perspective of financial institutions, even if financial institutions know that the company has good growth, they will still be able to provide mortgage guarantees that match credit funds as an important basis for credit investment, and providing sufficient collateral guarantees plays a crucial role in the credit line of small and medium-sized enterprises. Therefore, even if the amount of capital needs of SMEs is small, they cannot be met from banks, and banks are simply

unwilling to solve the entire loan application line of SMEs. Among the 121 enterprises with financing needs that participated in the questionnaire survey, 38 enterprises could not obtain the required funds in the process of financing from banks due to no collateral or insufficient collateral value, accounting for 51.4%. At present, when financial institutions in Baishan City handle enterprise loans, they only accept mortgages for real estate (such as factory buildings, land, commercial houses, retail houses, etc.) with clear property rights, and do not accept equipment, inventory and current assets as collateral. Among small and medium-sized enterprises, the collateral that banks can recognize is scarce resources, and the fixed assets that can be used as collateral are seriously lacking, and they cannot meet the lending requirements of banks and other financial institutions.

Some small and medium-sized enterprises, even if the operating income increases sharply year by year, the scale of assets increases year by year, and the profit level increases year by year, with high growth potential, but in the end, due to the small scale of the enterprise, there is a certain gap between the value of the real estate that can be used for collateral and the scale of the required funds, and the enterprise cannot provide the collateral needed to obtain the loan line of financial institutions (Li, 2010).

Therefore, it is often difficult for SMEs to increase their bank credit limit, their quota application needs are not fully met, and the funds that can be successfully obtained from banks in the end are often smaller than they need.

Under the circumstance that normal bank mortgage channels cannot obtain the loan amount required by the enterprise for its own operation, some small and medium-sized enterprises choose to obtain loans in the form of credit guarantees. The eight financing guarantee companies in Baishan City only do short-term working capital loan credit enhancement, and are not willing to increase credit for long-term, fixed asset investment. At present, there is only one policy financing guarantee company in Baishan City, but the capital is only 50 million yuan, which cannot meet the guarantee needs of enterprises, and when small and medium-sized enterprises seek guarantee loans from guaranteed companies, the guaranteed cost is higher, with an average of about 2.5-3.5%, which increases financing costs. In addition, complicated guarantee procedures increase the time cost of enterprise financing and increase the difficulty of financing small and medium-sized enterprises.

When bank loans are not available through both bank mortgages and credit-backed loans, SMEs will choose informal financial institutions to seek online loans, microloans or private lending. What's more, enterprises have borrowed private usury and so on in desperation. In turn, it increases the cost of capital, increases the risk of loan repayment, brings extremely bad impact to the production and operation of the enterprise, and further increases the burden of the production and operation of the enterprise.

However, whether it is obtaining bank loans, or obtaining funds through informal financial institutions or private usury, the high cost also puts a lot of pressure on the



business development of small and medium-sized enterprises. At present, the interest rate level of small and medium-sized enterprises in Baishan City in bank mortgages is basically more than 30% higher than the benchmark interest rate of loans, the current benchmark annual interest rate of loans is as low as about 4.75%, and the guarantee fees of various financing guarantee companies are basically about 2.5-3.5%, plus the interest and interest of bank loans, the minimum cost of SME credit guarantee loans is more than 8.7%, and the interest of non-financial institutions or private usury is as much as 20%-35%. The profit level of small and medium-sized enterprises in Baishan City is already low, and they cannot bear the high financing costs. Small and medium-sized enterprises lack economies of scale, most of them are low-profit operations, and with the intensification of competition between enterprises, the rise of raw materials, labor and other related costs, profit margins have been repeatedly compressed. The high cost of financing has become a considerable burden in the financing process of enterprises, which greatly increases the difficulty of financing.

#### **4.2.4 Business management, financial system, bank enterprise information**

Only by improving the corporate governance institutions of enterprises can we build a modern enterprise system. Only by conscientiously standardizing the rights, responsibilities and behaviors of the company's shareholders' meeting, board of directors, board of supervisors and business managers, and carrying out fruitful work in accordance with their respective work functions, can we effectively form a working mechanism of mutual restraint and mutual checks and balances between power organs, decision-making bodies, supervisory institutions and business managers.

For large enterprises, the scope of the capabilities of the individual business owner is limited. Compared with the hierarchical structure of internal governance of large enterprises, SMEs show the characteristics of simple and flat level in corporate governance structure. For small and medium-sized enterprises, the scale is small, the complexity of management is low, most enterprise owners often through intuition, emotional judgment to manage the enterprise, because they believe that according to their experience knowledge and past experience, and the evaluation and judgment of production and operation, they can manage the enterprise, do not need to hand over to the manager, and then directly control the production and operation activities of the enterprise (Tang, 2006). In such a case, it is difficult to separate ownership and management rights, which are contrary to the modern enterprise system. The modern enterprise system requires the separation of enterprise ownership and management rights, requires scientific management, and experience management is not equal to scientific management.

Up to now, Baishan corporate enterprises account for 64.94% of all small and medium-sized enterprises, of which limited liability companies account for 61.96% and

joint stock companies account for 2.98%. Overall, at present, there is a general imperfect corporate governance structure, and the "three committees and one layer" have not been truly established, that is, the structure of the board of directors, the board of supervisors, the shareholders' general meeting and the senior management level, the separation of ownership and management rights has not been truly realized, and the modern management system has not been truly implemented.

According to the results of the questionnaire survey, among the 172 enterprises surveyed, there are 73 corporate enterprises, including 61 limited liability companies and 12 joint stock limited companies.

From the 73 corporate enterprises that participated in the survey, the survey results show that the corporate governance structure of small and medium-sized enterprises in Baishan City is as follows:

There are 2 enterprises whose corporate governance structure operates in strict accordance with the requirements of the modern enterprise system, accounting for 2.74% of the 73 corporate enterprises. The organizational structure of corporate governance of these enterprises is relatively perfect, the structure of the "three meetings and one layer" is scientific and reasonable, the operation is effective, the rights and interests of shareholders are fully guaranteed, and the modern enterprise system of "clear property rights, clear rights and responsibilities, separation of government and enterprises, and scientific management" has been effectively implemented in enterprises, and information disclosure is carried out as required (Luo, 2002).

There are 14 enterprises with basic corporate governance structure, accounting for 19.2% of the 73 corporate enterprises. The corporate governance structure of enterprises has basically taken shape, the structure of "three meetings and one layer" is basically reasonable and effective, and it can basically operate in accordance with the requirements of the modern enterprise system, but the protection of shareholders' rights and interests is not enough, the role of the board of supervisors is not in place, and the transparency of enterprise operation and management information is not high enough.

The corporate governance structure of enterprises was not standardized, accounting for 57 of the company-based enterprises, accounting for 78.1% of the 73 corporate enterprises. On the surface, in form, and in terms of document system, the corporate governance structure of the enterprise has been perfected, and the responsibilities and powers of the "three meetings and one layer" are also clear, but they only fall on paper, are not implemented in specific management, fail to operate in accordance with the requirements of the modern enterprise system, and to varying degrees there are problems of harming the rights and interests of shareholders, the role of the board of supervisors is insufficient, or even ineffective, the transparency of enterprise information is not high, and regular audits and information disclosure are not carried out as required. Business decisions are still up to the boss.

So far, 37 diatomite production enterprises above designated size have not implemented the professional manager system, "acquaintance" and "family" management is still a common phenomenon, and a perfect incentive and constraint system has not been established. A sound income distribution system has not been established, the "annual salary system" and "equity option system" have not been implemented for senior managers, and the work of grade wages and job skills is still implemented, and the enthusiasm and creativity of operators and employees have not been fully utilized. At the same time, the family-style governance structure determines the personality characteristics of enterprise information processing, the internal information transmission level of the enterprise is less, the information transmission process does not have a standardized form and method, so that the information disclosure mechanism of the enterprise is not perfect and standardized, coupled with the lack of effective supervision and restraint means for the operator, so that external creditors cannot obtain accurate production and operation information of the enterprise in a timely and effective manner, thus causing the information asymmetry between banks and enterprises, making the credit risk of financial institutions too high. As a result, the phenomenon of bank credit matching has appeared, which has left hidden dangers for the financing difficulties of small and medium-sized enterprises and increased the financing difficulties of small and medium-sized enterprises.

Among the 172 enterprises participating in the questionnaire survey, some of them had inadequate internal management systems, and the most noteworthy was the imperfect financial management system. According to the survey, only 7.6% of enterprises have a sound financial system and regular audit of financial statements; 55.2% of enterprises have a basic financial system, but most of the financial statements have not been audited; 37.2% of the enterprises' financial system is not perfect, some enterprises even have chaotic capital management, and income does not record from time to time, which greatly reduces the information transparency of the enterprise itself, affects the credit of the enterprise, and weakens its financing ability.

### **4.3 Discussion**

As of the end of December 2019, the balance of enterprise loans in Baishan City was 28.952 billion yuan, an increase of 3.065 billion yuan over the beginning of the year. Among them, the balance of loans to small and medium-sized enterprises was 20.701-billion-yuan, accounting for 71.50% of the balance of enterprise loans, an increase of 2.573 billion yuan over the beginning of the year. Among small and medium-sized enterprises, the balance of loans to medium-sized enterprises was 12.625 billion yuan, accounting for 43.60 percent of the balance of enterprise loans, an increase of 1.092 billion yuan over the beginning of the year; the balance of loans to small enterprises was 5.822 billion yuan, accounting for 20.11 percent of the balance of

enterprise loans, an increase of 509 million yuan over the beginning of the year; and the balance of loans to micro-enterprises was 2.255 billion yuan, accounting for 7.79 percent of the balance of enterprise loans, an increase of 972 million yuan over the beginning of the year. According to the data of the People's Bank of China, the growth rate of loan balances of medium-sized enterprises and small enterprises is lower than the average level of the city.

As a post-economic development area, in addition to the lack of services of financial institutions, inadequate credit guarantee and public services, low enterprise credit rating, lack of collateralized property, high financing costs and low financial credibility, Baishan diatomite industry also faces the following problems:

Waste of resources and disorderly development. Mine production technology and technology are backward, and the phenomenon of rich mining abandoning poverty, easy mining and abandonment is serious. Most mining enterprises only mine primary soil, and the utilization rate of secondary and tertiary soil resources is low, either abandoned but not mined, or due to low utilization rate, it is abandoned in large quantities after mining, resulting in white pollution through natural weathering.

There is serious overcapacity of low-end products. Filter aid products still occupy the dominant position in the diatomite industry, filter aids and other products have simple processes, low technology content, are at the beginning of the industrial chain, and have no advantages such as technology and brand. The products are similar, the supply is oversupplied, the industrial scale is insufficient, and the overall competitiveness of the industry is low.

The market promotion of new materials of diatomaceous earth is slow. Diatomite new products calcium silicate board, diatom floorboard, wallpaper, diatom mud and other decorative and decoration new materials, as well as asphalt modifiers, non-toxic pesticides and other diatomite products application prospects, due to weak market development force, poor application promotion, limited terminal market cognitive application, difficult to open sales channels, only sporadic local use, small market share.

Insufficient innovation and lagging management. The industry has little investment in science and technology, weak innovation ability, low level of enterprise technology and equipment, and there is still a certain gap between new product research and development and production technology and foreign advanced level. Enterprise management needs to be further strengthened, production planning management, technology management, quality management still show a certain blindness and extensive type, the role of scientific management has not been fully played, and the role of driving industrial transformation has not really been brought into play.

The small and scattered production scale has not been fundamentally improved. Market competition is low-level and malignant, and enterprises basically obtain market

share through price competition. As a result, the price of diatomite products has repeatedly hit lows, among which the price of diatomite filter aid, which accounts for the largest proportion, has dropped from the highest 3200 yuan / ton to the lowest 1800 yuan / ton, and the company's profits have fallen sharply.

Some enterprises are short of funds for production and operation and project construction. At present, 16 of the 37 diatomite production enterprises above designated size in Baishan City have a shortage of funds and need bank loans. It accounts for 43.2% of the total number of enterprises. Among them, there are 10 project construction fund loans, with a loan demand of 654 million yuan, and 10 working capital loan demand projects, with a loan demand of 166.1 million yuan.



## Chapter V Conclusion and Recommendations

### 5.1 Conclusion

This paper flexibly applies the theory of SME financing, starting from the current situation and characteristics of SMEs, in view of the current situation of SME financing difficulties, carefully analyzes the reasons for SME financing difficulties, combines the development of diatomite industry and financing status in Baishan City, Jilin Province, specifically analyzes the internal and external causes of SME financing difficulties, and proposes to solve the financing difficulties of SMEs, in addition to establishing a sound financial system that matches the development of SMEs and building a sound public service system, in the current financing environment, It is particularly important to effectively improve the quality of small and medium-sized enterprises, strengthen enterprise capacity building, improve the level of operation and management, and study new financing methods. According to the specific reality of Baishan City, Jilin Province, this paper finally puts forward relevant countermeasures and suggestions to solve the financing difficulties of small and medium-sized enterprises from the perspective of enterprises:

1. The government should innovate the financial system, that is, establish a sound financial system that matches the development of small and medium-sized enterprises.

Enterprises should actively compete for treasury bond projects, key industry development projects, and new product industrialization projects, and strive for the support of various special financial funds of the state, provinces and municipalities; Actively strive for provincial and municipal key industry development guidance funds and special fund support for the development of small and medium-sized enterprises; Actively strive for special financial support for short-term loan turnover of industrial enterprises in Baishan City. At present, Baishan City has established guidance funds for the development of key industries. In the form of equity and other equity investments, certain financial support will be given to larger key projects. and subsidize bank loans for small and medium-sized enterprises. At the same time, a special fund for short-term loan turnover of enterprises has been established to provide on-loan "bridge" services for enterprises with temporary liquidity difficulties.

2. Should create a high-quality financing environment and a sound service system, improve the operating capacity of small and medium-sized enterprises, and reduce the risks of the government and banks.

Baishan City needs to build a public service system conducive to the healthy development of small and medium-sized enterprises, in order to form

a complete service system with effective information services, management consulting, technical support, credit guarantee, financing investment, talent training and market development as the main content, so that small and medium-sized enterprises can receive effective public services. The government's policy strength needs to be appropriately optimized and adjusted according to the development status of local small and medium-sized enterprises. In order to accelerate the healthy development of small and medium-sized enterprises, the state and provinces have successively issued financing policies to encourage and support the development of small and medium-sized enterprises on the financing difficulties of small and medium-sized enterprises, and the Baishan municipal government and various financial institutions have also issued corresponding policies and taken certain measures for the financing difficulties of small and medium-sized enterprises, but the systematic and operational nature of the policy measures is not strong. In particular, the internal audit control system of financial institutions has not achieved a high degree of integration and consistency with national policies in some aspects, the concept of credit investment with overriding risk control occupies the first place, and the flexibility of credit review and investment is low, resulting in a lower probability of SMEs obtaining loans. Although Baishan City has established a special fund for the development of small and medium-sized enterprises and an industrial development guidance fund, the amount is small, far from meeting the needs of the development of small and medium-sized enterprises, and the guidance mechanism to encourage and support the development of small and medium-sized enterprises needs to be further enhanced.

3. Effectively improve the quality of small and medium-sized enterprises themselves, improve credit conditions, reduce the difficulty of financing small and medium-sized enterprises, and increase the willingness of banks to lend.

Some small and medium-sized enterprises, even if the operating income increases sharply year by year, the scale of assets increases year by year, and the profit level increases year by year, with high growth potential, but in the end, due to the small scale of the enterprise, there is a certain gap between the value of the real estate that can be used for collateral and the scale of the required funds, and the enterprise cannot provide the collateral needed to obtain the loan line of financial institutions. Therefore, it is often difficult for SMEs to increase their bank credit limit, their quota application needs are not fully met, and the funds that can be successfully obtained from banks in the end are often smaller than they need. It is necessary to improve the governance structure of enterprises themselves, expand the scale of enterprises, and reduce financing costs.

4. Small and medium-sized enterprises should build a modern enterprise system and improve the corporate governance structure, and improve the enterprise financial system to eliminate the problem of information asymmetry between banks and enterprises.

Only by improving the corporate governance institutions of enterprises can we build a modern enterprise system. Only by conscientiously standardizing the rights, responsibilities and behaviors of the company's shareholders' meeting, board of directors, board of supervisors and business managers, and carrying out fruitful work in accordance with their respective work functions, can we effectively form a working mechanism of mutual restraint and mutual checks and balances between power organs, decision-making bodies, supervisory institutions and business managers. For large enterprises, the scope of the capabilities of the individual business owner is limited. Compared with the hierarchical structure of internal governance of large enterprises, SMEs show the characteristics of simple and flat level in corporate governance structure. For small and medium-sized enterprises, the scale is small, the complexity of management is low, most enterprise owners often through intuition, emotional judgment to manage the enterprise, because they believe that according to their experience knowledge and past experience, and the evaluation and judgment of production and operation, they can manage the enterprise, do not need to hand over to the manager, and then directly control the production and operation activities of the enterprise. In such a case, it is difficult to separate ownership and management rights, which are contrary to the modern enterprise system. The modern enterprise system requires the separation of enterprise ownership and management rights, requires scientific management, and experience management is not equal to scientific management. A sound income distribution system has not been established, the "annual salary system" and "equity option system" have not been implemented for senior managers, and the work of grade wages and job skills is still implemented, and the enthusiasm and creativity of operators and employees have not been fully utilized. At the same time, the family-style governance structure determines the personality characteristics of enterprise information processing, the internal information transmission level of the enterprise is less, the information transmission process does not have a standardized form and method, so that the information disclosure mechanism of the enterprise is not perfect and standardized, coupled with the lack of effective supervision and restraint means for the operator, so that external creditors can not obtain accurate production and operation information of the enterprise in a timely and effective manner, thus causing the information asymmetry between banks and enterprises, making the credit risk of financial institutions too high. As a result, the phenomenon of bank credit matching has appeared, which has left hidden dangers for the financing difficulties of small



and medium-sized enterprises and increased the financing difficulties of small and medium-sized enterprises.

## **5.2 Recommendations**

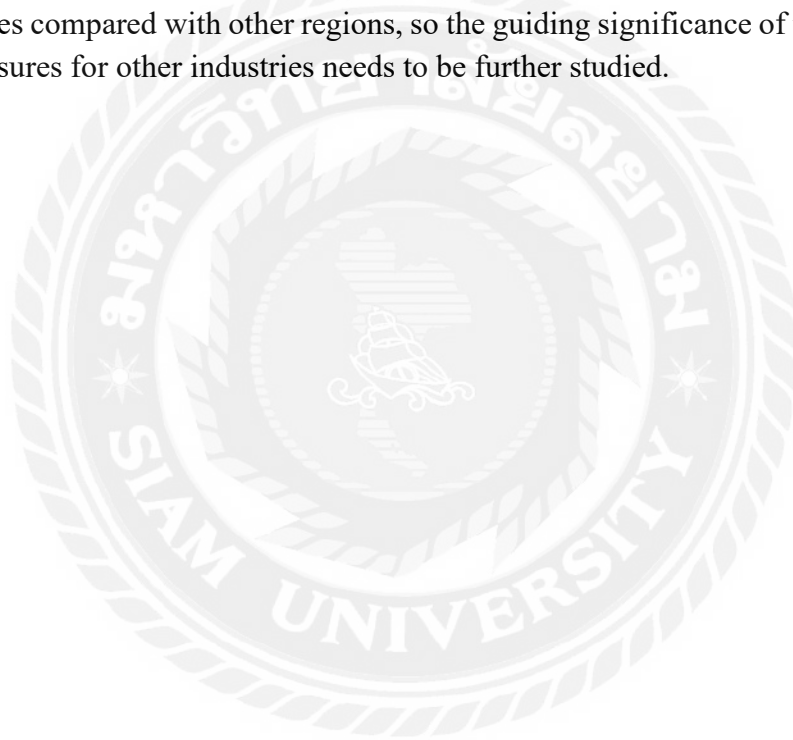
Due to the small scale of SMEs, there are few assets available for collateral and the financing amount is limited; Non-standard management, lack of modern management concepts, no medium and long-term development goals, making business behavior short-term; The financial system is not perfect, resulting in information asymmetry between banks and enterprises; Low profit level, poor debt capacity, low solvency and poor capital operation ability increase the risk of lending to small and medium-sized enterprises; In addition, the region is remote and backward, does not have a good location advantage of economic development, the introduction and absorption of talents does not have advantages, lack of high-precision professionals, the overall scientific research strength is weak, the product technology content level is low, the competitiveness is poor, the enterprise anti-risk ability is weak, the life cycle is short, the average life of the enterprise is generally only about 3 years, especially the small and medium-sized enterprises in the start-up period, the uncertainty of production and operation is high, resulting in the psychology of small and medium-sized enterprises afraid of loans, cautious loans, and reluctant loans, out of consideration for the safety of credit funds. The credit ratio of small and medium-sized enterprises has been implemented, and the credit investment of financial institutions to small and medium-sized enterprises has been inhibited to a certain extent, and even put forward other high restrictions on the credit financing of small and medium-sized enterprises, which has increased the difficulty of obtaining credit loans from banks. In short, in order to properly solve the financing situation of small and medium-sized enterprises, it is not a simple problem, the factors affecting all aspects, in addition to establishing a sound financial system suitable for the development of small and medium-sized enterprises, building a sound public service system, in the current financing environment, it is particularly important to effectively improve the quality of small and medium-sized enterprises, strengthen enterprise capacity building, improve the level of operation and management, and improve social credibility, and study new financing methods.

This paper combines the current economic development of China and the specific actual situation of the development of diatomite industry in Baishan City, analyzes the financing difficulty in detail, and puts forward specific targeted countermeasures and suggestions according to the actual situation, but because the author is not a staff member of the diatomite industry, the understanding of the industry is limited, the professional basic knowledge and cognitive ability are not enough, there is a gap in the understanding of some deep-seated problems faced by the diatomite industry, and the

countermeasures and suggestions proposed may not be perfect. The writing needs to be further improved.

### **5.3 Future Research**

This study specifically analyzes the current financing difficulties of small and medium-sized enterprises from the perspective of diatomite industry in Baishan City, Jilin Province, and the new material industry of diatomite is a sunrise industry and has certain industrial agglomeration characteristics, and the development of diatomite industry in Baishan City has an important position and significance in Jilin Province and even the whole country. In addition, Baishan City, Jilin Province is a post-economic development area, and the scale, management level, regional financing services and extensive operation mode of resource-based industries of enterprises also have certain particularities compared with other regions, so the guiding significance of the proposed countermeasures for other industries needs to be further studied.



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## Appendix

### A Questionnaire on Financing of Small and Medium Enterprises in Baishan City, Jilin Province

Basic information table

| <b>Basic information of the enterprise</b>    |      |                         |      |
|---|------|-------------------------|------|
| Corporate name                                |      | Location of unit        |      |
| Industry                                      |      | Legal Representative    |      |
| Shareholders and subsidiaries                 |      |                         |      |
| Nature of Business                            |      | Main business           |      |
| Enterprise nature                             |      | Enterprise deposit bank |      |
| Finance chief                                 |      | contact information     |      |
| Organization Code                             |      |                         |      |
| Basic information of the enterprise:          |      |                         |      |
|   |      |                         |      |
| <b>Corporate financial situation</b>          |      |                         |      |
| clauses and subclauses                        | 2017 | 2018                    | 2019 |
| <b>total assets</b>                           |      |                         |      |
| Total current assets                          |      |                         |      |
| (1) Monetary funds                            |      |                         |      |
| (2) Short term investments                    |      |                         |      |
| (3) Notes receivable                          |      |                         |      |
| (4) Accounts receivable                       |      |                         |      |
| (5) Goods in stock                            |      |                         |      |
| (6) Loss of current assets to be handled      |      |                         |      |
| Total long-term investment                    |      |                         |      |
| Total fixed assets                            |      |                         |      |
| Including loss of fixed assets to be disposed |      |                         |      |
| Total intangible and deferred assets          |      |                         |      |
| <b>Total Liabilities</b>                      |      |                         |      |
| Total Current Liabilities                     |      |                         |      |

|  |  |  |   |
|--|--|--|---|
| (1) Short-term borrowings                    |  |  |   |
| (2) Bill payable                             |  |  |   |
| (3) Accounts payable                         |  |  |   |
| Total long-term liabilities                  |  |  |   |
| Long-term loan                               |  |  |   |
| <b>Total Equity</b>                          |  |  |   |
| Paid-up capital                              |  |  |   |
| Undistributed profits                        |  |  |   |
| <b>Total Liabilities</b>                     |  |  |   |
| Proceeds of sale                             |  |  |   |
| Cost of sales                                |  |  |   |
| Total profit                                 |  |  |   |
| <b>Application for working capital loans</b> |  |  |   |
| Estimated loan amount applied                |  | Loan Term                                  |   |
| Bank applying for loan                       |  | Usage of loan                              |   |
| Net asset value that can be mortgaged        |  | Repayment source                           |   |
| Loan method                                  | Credit Guarantee Mortgage Notes Others |  |   |
| Guarantor                                    |  |  |   |
| <b>Application for loans</b>                 |  |  |   |
| Investment projects                          |  | Project cycle                              |   |
| Loan amount                                  | Yuan                                   | Loan Term                                  |   |
| Loan bank                                    |  | Repayment source                           |   |
| total investment                             | Yuan                                   | Source of funds                            | Loan Self-raised funds or other               |
| Available funds                              | Yuan                                   | Self-raised funds Yuan, Loan Yuan          |   |
| Approval procedures have been obtained       | Project approval documents             | Environmental Assessment Approval Document | Construction Engineering Planning Certificate |
|  | Land Prequalification                  | Construction land planning permit          | Construction permit and commencement permit   |
| Preliminary work                             |  | Pled gable net asset value                 | Yuan  |
| Loan method                                  | Credit Guarantee Mortgage Notes Others |  |   |
| Guarantor                                    |  |  |   |

Project Overview:

**The development status of enterprises:**

1. How long has your business been established ( ).  
A 5 years or less B 5-10 years C 10-20 years D 20 years or more
2. Whether your enterprise has established a corporate governance structure ( ).  
A specification B basic specification C non-specification D is not established
3. The proportion of the main management personnel of your enterprise from the family to the management of the enterprise (including the chairman, general manager, deputy general manager, director, supervisor, accounting officer, etc.) is ( ).  
A 1/4 and below B about 1/2 C 3/4 or so D are all from this family
4. The major decisions of your enterprise mainly include ( ) decisions  
A Chairman, General Manager, B, General Meeting of Shareholders, C. General Meeting of Employees
5. The construction of your company's financial management system ( ).  
A Perfection B Basic perfection C Imperfect D No financial management system
6. Whether your annual financial report has been audited by the audit department ( ).  
A Yes B Deny
7. Your company's revenue management ( ).  
A All settled through the company account Part B is settled through the company account C Optional
8. The main products and technical level of your enterprise are at the industry ( ) level  
A lags behind B generally C is advanced domestically D is internationally leading
9. The market situation of your company's main products is ( ).  
A marketable , demand is strong B is basically marketable C sales are not smooth
10. The most important competitive advantage of your enterprise is ( ).  
A has a unique resource advantage B product quality  
C Product price D Provide differentiated services
11. Whether your company has passed the ISO quality system certification ( ).  
A Yes B Deny
12. Whether your company has formulated a medium- and long-term development plan and whether the goals are clear and clear ( ).  
A: The goal is clear and unambiguous, B is not very clear C. It is not formulated
13. The main difficulties faced by your business (limited to 2 items) ( ).  
A. Rising prices of raw materials B Employee salaries increase C. Financing costs are too high

D Poor sales E Electricity shortage F Labour shortage G Other

14. Which government departments do you interact with the most in your corporate finance activities?

A Financial Office B Soft Environment Office, Letters and Visits Office

C Financial sector D Administrative department of small and medium-sized enterprises

15. What is your attitude towards the role of local government in the financing process?

A has no role B has a certain role C is indispensable

16. What are the main problems encountered in lending to banks or credit unions

( )

A The bottom of the credit rating of the enterprise

B lacks collateral, the mortgage is insufficient

C The business condition of the enterprise is not good

D Industry policy: high entry threshold

E High cost, high interest rate

F cannot provide third-party guarantees

G does not understand the credit product and approval process

H Approval is cumbersome and the cycle is long

I Other

17. What will the guarantor do if your business is unable to repay?

A can help you extend the repayment time appropriately B to pay in installments

C. Others

18. Your company's evaluation of the services provided by financial institutions is:

A is good B is good C is average D is poor

19. Regarding the guarantee services provided by the currently established SME Credit Guarantee Agency, you feel:

A is very satisfied B is more satisfied C is generally D is not very satisfied

20. Which side do you think is mainly responsible for the current financing difficulties of SMEs:

A Financial institutions B Small and medium-sized enterprises themselves C Government departments D Social service organizations E Others

21. Whether your company's latest private financing is secured ( )

A Credit only, no collateral guarantee B Property mortgage C Third party guarantee (guarantee)

22. The main form of supplementary funds for your company at present comes from ( ) (limited to 2 items)

A Loan from a financial institution B Retention of business profits C Inter-enterprise lending D Relatives and friends borrowing E Private lending F Other