
Discussion on Chinese Smes Financing Current Situation And Countermeasures

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Introduction

In order to ensure sustained and stable growth of the national economy, maintain the vigor and vitality of SMEs is necessary. The capital that small and medium-sized enterprises own is deciding whether an enterprise can survive and develop. Therefore, it is necessary to conduct a comprehensive analysis and research on the financing status and existing problems of SMEs. This study will analyze the impact of government policies, financial institutions, credit guarantee system, direct financing, laws, SMEs' internal factors towards SME financing.

Literature Review

2.1 Hypotheses

Ha1: Government policies have a significant influence on SMEs financing. Ha2: Financial institutions have a significant influence on SMEs financing. Ha3: Credit guarantee system has a significant influence on SMEs financing. Ha4: Direct financing has a significant influence on SMEs financing.

Ha5: Laws have a significant influence on SMEs financing.

Ha6: SMEs' internal factors have a significant influence on SMEs financing

2.2 Underpinning Theory

These studies conclude that SMEs financing is affected by the financial institutions, own management system of SMEs, governmental policies, the informal finance channels. According to the literatures above, a conceptual model is developed for this study.

2.3 Summary

Based on the review and analysis of books and literature, this chapter focuses on six independent variables: financial institutions, national policies, credit guarantees, direct financing, laws and regulations, and the internal factors of SMEs. In order to fully understand its meaning, as well as the important impact on the dependent variable SME financing.

Research Methodology

3.1 Research Design

This is a hypothesis testing study under multiple method which combine qualitative and quantitative. In this study, around the selected topic, using books inquiry, literature review, information analysis and other methods to collect relevant information, the existing results will be across-the-board summarized, the innovation points will be proposed and the theoretical framework of independent variables and dependent variable will be established. Then, we will collect the real data through questionnaires, and determine the relationship between independent variables and dependent variable in combination with the actual situation. The unit of analysis is targeted at groups of people and the research will be conducted by multiple cross-sectional studies at a single moment in time.

3.2 Research Location

The research will be conducted at the first and second line cities in China. Because the first and second line cities are areas with better economic development in recent years, and the economic development is strong. We will investigate office workers in the first and second line cities to understand the actual financing situation of SMEs. We will analyse the impact of government policies, financial institutions, credit guarantee system, direct financing, laws and SMEs' internal factors on financing process through data collected.

3.3 Data Collection Method

Data collection technology is an important part of research study. In this way, research study is based on auxiliary information, which can be explained by data obtained from one of the highly praised articles by (Jan P. Voona et al,2011). The research is based on the basic information of using first-hand technology, which uses questionnaires to collect data. There is a simple part that will reveal the population test and the additional sample size on the premise of the article. The survey questionnaire measures:

- (1) Demographic features of participants
- (2) Government policies
- (3) Financial institutions
- (4) Credit guarantee system
- (5) Direct financing
- (6) Laws
- (7) SMEs' internal factors
- (8) SMEs financing

This research will use probability sampling, which can increase the precision of analysis from amount of data needs to be collected. Probability sampling technique in which units of the sample are selected based on large scale interview and research. There will be one type of probability sampling which identified the target respondents he researchers after using different sampling technique, who are conveniently available in the location.

3.6 Questionnaire Construction

This survey is described in addition to the scaling techniques that employed the likert scales. Therefore, in the questionnaire will use Likert scale for part C. It has been measurement scale with five response categories ranging which can be (1) strongly disagree,

(2) disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree, which are requires respondents to indicate a degree of agreement or disagreement with questions (Malhotra,2010).

The structure of questionnaire includes Part A participant information, Part B enterprise background, and Part C factors affecting the difficulty of SMEs financing(independent variables). Dependent variable is SMEs financing.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

3.7 Questionnaire Development

Factors affecting the difficulty of SMEs financing

Construct	Sample Measurement Items	Sources
Government Policies (GP)	1. I think government policies play an important role in improving the financing environment of SMEs.	Jiro Naito (2015)
	2. I think the government should increase support for SME credit guarantee institutions.	
	3. I think the government should encourage the development of small loan companies and pawnshops, and use policies to guide financial institutions to lend more to SMEs.	Xinjian Luo Ran Li Lanying Lin
	4. I think the government should establish and improve a unified enterprise credit system.	Xuefeng Gao Pan Guiying
	5. I hope that the government can give more capital projects to support SMEs.	Enlong Xia Li Jie (2009)

Construct	Sample Measurement Items	Sources
Financial Institutions (FI)	1. For SMEs, I think it is very difficult to apply for financing to the bank.	Li Wei (2004)
	2. It is difficult to apply for financing to banks because the loan terms and expenses are high, the time for examination and approval is long, and the formalities are complex.	Li Wei (2004)
	3. Banks usually give SME credit lines insufficient.	Li Wei (2004)
	4. Banks have a poor sense of service for SMEs.	Li Wei (2004)
	5. Banks lack credit products specifically targeted at SMEs.	Zhang Ziyu (2014)

Construct	Sample Measurement Items	Sources
Credit Guarantee System (CGS)	1. I believe that a sound credit guarantee system can alleviate the financing difficulties of SMEs.	Jia Chen (2008)
	2. I think that the credit guarantee system for SMEs is still not perfect at present.	Jia Chen (2008)
	3. I think the guarantee agencies are scattered in management, lack of professionals and lack of legal norms.	Jia Chen (2008)
	4. I think the guarantee variety is single.	Jia Chen (2008)
	5. I think that guaranteeing the organization lacks the funds the repair the mechanism to scatter about the mechanism with the risk.	Jia Chen (2008)

Construct	Sample Measurement Items	Sources
Direct Financing (DF)	1. I think that there are few channels for SMEs to directly finance at present.	Zhang Ziyun (2014)
	2. I think that direct financing is more efficient than indirect financing.	Zhang Ziyun (2014)
	3. I think that the direct financing channel is not smooth, which is one of the reasons for the financing difficulties of SMEs.	Alun John (2016)
	4. I think that it is necessary to improve the understanding of the importance of direct financing for SMEs.	Alun John (2016)
	5. I would like to raise funds for the company through direct financing channels.	Alun John (2016)

Construct	Sample Measurement Items	Sources
Law (L)	1. I think the law plays an important role in SMEs financing.	Wang Zhao (2003)
	2. I think the current laws related to SME financing are not perfect enough.	Wang Zhao (2003)
	3. I think the relevant laws have failed to improve the financing difficulties of SMEs.	Wang Zhao (2003)
	4. I think that the content of the legal provisions related to the maintenance of credit is relatively fragmented, especially the regulation of credit laws and regulations of SMEs.	Wang Zhao (2003)
	5. I think that it is necessary to have relevant supporting laws and regulations and implementation measures so as to enable SMEs financing process to form a scientific, complete and orderly system.	Yong Si (2014)

Construct	Sample Measurement Items	Sources
SMEs internal factors (SIF)	1. I think that the current qualities of SMEs management need to be improved.	Zhang ziyun (2014)
	2. I think the internal management system of SMEs needs to be improved.	Li He (2010)
	3. SMEs are still small in size and having bad reputations among enterprises.	Li He (2010)
	4. Financial management systems in SMEs needs to be improves.	Li He (2010)
	5. SMEs are still using traditional management methods.	Zhang ziyun (2014)

Construct	Sample Measurement Items	Sources
SMEs Financing (SF)	1. I think that it is necessary to pay attention to the current situation and development of SMEs.	Ogden, J.P., Jen, F.C. and O'Connor, P.E. (2003)
	2. I think that SMEs are the main force of national economic development.	
	3. I think that the effective financing of SMEs will contribute to the development of enterprises.	
	4. I think the actual situation is that SMEs generally face the problem of financing difficultly.	
	5. I think the SMEs financing is needed to find out the root causes and solve them.	

3.8 Pre-test and Factor Structure

3.8.1 Pilot Test

Pilot testing is a pretesting of the questionnaires to a small group of target (Van & Hundley,2001). However, this group of target is based on broadly representative of population. We conduct pilot test is to check reliability and validity on the questionnaire before it been handout to target sample on purpose. In this study, there are 30 respondents who will be chosen to conduct pilot test and they will share feedback after completed questionnaire. This step would help data collection more smoothly and avoid mistakes. The following test for pilot test on the shows a clear result.

Table 3.8 Reliability test for pilot test

Variable	Cronbach's Alpha
Government Policies(GP)	0.994
Financial Institutions(FI)	0.994
Credit Guarantee System(CGS)	0.994
Direct Financing(DF)	0.993
Law (L)	0.994
SMEs internal factors(SIF)	0.994
SMEs Financing(SF)	0.994