RESEARCH ARTICLE

Financing optimization research of Shanghai A Company

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Abstract: Small and medium-sized enterprises are the foundation of China's economic development, but also an important composition of the main body of the market economy. With the increasing openness of the market environment and the number of small and medium-sized enterprises gradually increasing, China has issued various policies to encourage the development of small and medium-sized enterprises, but small and medium-sized enterprises still suffer from various difficulties in financing. After the subprime crisis, small and medium-sized enterprises are significantly affected by the world financial crisis, the financing environment is deteriorating, the financing capacity continues to decline, and the financing channels are therefore limited, and many enterprises are facing bankruptcy due to the rupture of the capital chain. This paper takes Shanghai A Company as the research object, analyzes the financing status of the company, understands the problems existing in the financing strategy of A Company, and gives optimization suggestions. It hopes that Shanghai Company A Company can seize the financing opportunities, expand its own financing channels and create A high-quality financing enviro nment.

The construction of China's investment and financing guarantee institutions began in the early 1990s. After more than ten years of development, a new financing guarantee system for small and medium-sized enterprises in China has been formed, with policy guarantee organizations as the leading role and commercial and social mutual guarantee organizations as the two wings. The development of investment and financing guarantee industry has achieved important results on promoting the establishment of China's credit management system, solving the difficulties of investment and financing of banks, and reducing the risks of bank credit operation. It has become the main means for other financial institutions to support loans to China. At the same time, due to the special strategic position of domestic financial institutions in the economic and social development, the solution to the financing operation risk of domestic financial institutions is not only a problem of economic benefit, but also a kind of social development research. The good and bad prospects of the domestic market have a direct impact on the development of the national economy and the people, and for financial institutions, the proposal of financing operation risk is a difficult problem. Therefore, the research on the financing questions of financial institutions is of great significance.

Keywords: Small and medium-sized enterprises; Financing ability; Financing channels

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1 Overview of corporate financing-related issues

1.1 Enterprise financing overview

Enterprise financing is the activity process of raising the capital needed for the company's investment, operation and career development based on the company's property, equity and expected profit. The growth of a company is a process of investment, growth, refinancing and re-growth. The general company has to go through the production management stage, the product operation process and the capital operation process. With the continuous growth of modern companies themselves, it is increasingly common for companies to cooperate with specialized social organizations to deal with the company's own problems [1]. The existence of auditor firms, law firms, financial public relations management, investment consulting and other specialized organizations to provide specialized consulting services for different stages of the growth of the company. With the further subdivision of the social division of labor, the company management has thus stepped into a standardized fast track [2].

1.2 Information asymmetry theory

Most scholars regard information asymmetry as the main cause of financing difficulties for banks, In the process of small and micro enterprises obtaining credit guarantee, Banks and small and micro businesses are the main trading parties, Among them, small and micro enterprises have mastered more information about credit risk and other aspects, Thus taking an advantage, By contrast, Although commercial banks have become the main financing suppliers, However, because of its small amount of information obtained, Can not clearly identify the solvency and operational risks of small and micro enterprises, For the balance between risk and benefit, Make it without sufficient economic impetus to provide financing guarantee for small and micro enterprises, Finally caused the loan rationing problem [3]. The loan allocation conducted by commercial banks and other institutions through credit business leads to the prominent financing difficulties of private enterprises.

1.3 Financing channel theory

In case of financial difficulties, companies often give priority to internal financing, and will turn to professional financial institutions such as commercial banks in the situation when proprietary financing cannot be fully realized. For professional financial institutions, because of the traditional big state-owned financial institutions, the credit support strength for small and micro enterprises is relatively weak, while small and medium-sized enterprises gradually grow into the natural alliance of small and micro enterprises in the process of growth. In particular, due to the introduction of relational lending methods, the demand of enterprises in lending interest and pledge collateral related areas has decreased significantly, which has increased the credit availability [4] of small and micro enterprises in a corresponding sense. Subsequently, as soft data technology drives the generation of commercial credit, small and micro enterprises can also obtain financing guarantee through the accounts payable or joint guarantee of upward, middle and downstream enterprises. Therefore, commercial credit has gradually become an effective replacement of traditional bank credit. Compared with normal commercial banks, the loan rationing problem of informal commercial banks is relatively small, and the financing cost is relatively high, which has a great positive meaning for alleviating the financing difficulties of small and medium-sized private enterprises, and thus promotes the rapid economic growth of small and medium-sized enterprises [5].

2 Analysis of financing channels

2.1 Endogenous financing

For corporate investment, endogenous financing is the most important way of investment. Enterprise A often uses the accumulation of annual early income to further expand the enterprise capital scale, so as to improve the flexibility of enterprise operation [6].

2.2 Bank financing

In the early stage of entrepreneurship, enterprises cannot successfully borrow money from banks, due to the limitations of small development scale and limited enterprise management level. As the company developed further, its product scale began to expand, and bank loans began to become easier. Company A belongs to an enterprise, and the situation of other enterprises is similar. Small and urgent is the prominent feature of its bank loans, and short-term loans are the main form of loans.

2.3 Private financing

Loans to other companies and relatives and friends is the most important form of private investment of Company A. Under the influence of the European financial crisis, A company private loans began to suffer A major blow, such financing decline is very serious, the development of private financing struggling, the influence of the social and economic environment is the main cause of this phenomenon, private investors also began to lose confidence, investment constantly reduce the investment scale, the company from private access to funds become difficult [7]. With the rapid development of enterprises, the effect of such adverse factors began to reduce, and the rising rate of private financing of A Company in 2014 was very amazing.

3 Analysis of financing methods

The investment methods of Company A mainly include free financing, bank borrowing, stock issuance, additional issuance of securities, investment in foreign companies and natural persons, government financial support, loans from other companies and loans from relatives and friends

4 Financing cost analysis

The investment cost of Company A can be roughly divided into two categories, namely internal cost and external cost. Among them, the internal management cost is the main form of the financing cost of the internal market, and the coordination and management cost of the financing cost; the external cost refers to the internal investment outside the company, and the financial cost of external investment.

5 Shanghai A company financing strategy problems

5.1 The financing structure is unreasonable

At present, the investment method of the company A is the foreign investment method, focusing on bank loans. In recent years, the development and operation of enterprises is not good, and the internal financing balance is not much, unable to meet the requirements of enterprise operation, development and financing, and the urgent need of a large amount of external investment. External financing is an important channel to solve the needs of enterprise operation and investment capital. With the increase of enterprise financing scale, commercial bank loan is an important debt and investment method of enterprises; and the operating expenses are also increasing. The rapid growth of bank loans directly affects the quality of capital operation and operating profit level of enterprise A. Bank borrowing is the main financing way of enterprise A. About 80% of the enterprise debt investment comes from this way, while the forms of credit securities financing and acceptance bill financing generate the remaining amount of the debt. With Company A as the research object, the financing cost does not have A perfect structure, and only takes the debt interest expenditure as the main source of the financing cost. Even if equity is easy to have more than the debt financing, but due to the influence of short term, and have time for asset liquidity is low, enterprise operating performance will be affected by debt pressure, the greater the debt, to the enterprise, the worse the operation of the enterprise, and as the debt due, there will be a lot of funding gap, financial risk will follow rise [8].

5.2 Financing methods are more traditional

At present, the financing channels of Company A mainly include bank borrowing channels and private financing channels, and the private financing channels mainly come from the internal fund-raising of employees. First, according to the current operation situation of an enterprise, the credit risk of commercial banks is relatively high, and the pledge guarantee that can be carried out is very limited. As a result, commercial banks can not effectively solve their financing needs of [9] based on the consideration of operational risks. Second, because the company's own income is not high, the company staff is very small, the internal capital scale is constrained, plus the internal investment is a one-time investment, the company can not carry out for a long time, so it can not alleviate the problem of insufficient funds. However, the company loans to other units and individuals is not necessary, and the total amount is small, which can not be used as an investment way of the company.

5.3 The financing scale is too large

According to the above analysis, company A attaches more and more importance to bank loans, which leads to the continuous expansion of the scale of bank loans in the financing process. As shown in Table 1, it shows the borrowing situation of Company A from 2019 to 2021.

Table 1 Company borrowing from 2019 to 2021

	2019	2020	2021
Short-term loan	853	1689	368
Money borrowed for long term	157	0	263
Fixed liability;	490	32	513
Cash liabilities	4392	4759	4927
Short-term borrowings to current liabilities	19.43%	34.50%	7.48%
Long-term borrowing as a ratio of long-term liabilities	32.22%	0.00%	51.25%
Total indebtedness	4882	4792	5440

As can be seen from the data in the above table, the long-term loans of Shanghai A Company from 2019 to 2021 are 1.57 million yuan, 0 yuan and 2.63 million yuan respectively, while the long-term liabilities are 4.9 million yuan, 320,000 yuan and 5.13 million yuan respectively, and the total liabilities are 48.82 million yuan, 47.92 million yuan and 54.4 million yuan respectively. It can be seen that the scale of financing of the company is increasing every year, and the scale of bank borrowing accounts for a large proportion. This situation indicates that the company's debt repayment risk is increasing, and the financial crisis the company will face is more and more obvious.

5.4 Neglecting the financing macro environment

As the financing process is vulnerable to the decline of macroeconomic growth rate, the stricter government regulatory environment, fierce industrial competition and other factors [10]. Enterprises lack of analysis of the macro environment in the financing process, which leads to the expansion of financing channels and the guarantee of sufficient capital. The poor credit environment of the overall society is also an important reason for the poor financing of enterprises, which lead to the gradual weakening of the concept of credit rating, the loss of confidence in credit rating, and the financing strength of enterprises [11].

6 Shanghai A company financing strategy optimization suggestions

6.1 Optimize the financing structure

Company A must understand the actual operation of the enterprise, make clear its development direction and current operation situation, and steadily conduct investment loans; the enterprise should always pay attention to the market changes, and make various investments according to the actual situation of the company, but should not seek unfair benefits by maximizing the benefits of the company and violating business ethics and rules and regulations [12]. At the same time, it is necessary to understand the company's business purpose, business strategy and other main issues, and to make long-term plans for the company's development prospects. In this way, commercial banks will have enough time to study their credit, debt ratio and other conditions, so as to obtain bank loans [13]. In addition, enterprises can reasonably reduce their investment costs by increasing the information exchange with commercial banks. In order to provide good credit conditions, so that enterprises are more in line with the credit requirements of financial institutions, so that the probability of enterprises to get credit is increased.

6.2 Innovate financing methods

The capital borrowed by commercial banks is all creditor's rights capital. The repayment of the principal after the expiration of the enterprise interest does not touch the real right of the owners of small and medium-sized enterprises, nor can it transfer the rights of small and medium-sized enterprises, so the negative impact on the operation, management and investment of small and medium-sized enterprises is minimal [14]. Therefore, commercial banks have the following advantages: (1) relatively simplified procedures and quick investment and financing management; (2) flexible capital use; (3) small investment cost; (4) bank loan interest rate can add production costs to achieve pre-tax effect, and reduce tax revenue of small and medium-sized enterprises: (5) commercial banks can lend money according to the credit conditions of small and medium-sized enterprises, thus forming the source of capital of small and medium-sized enterprises, and the capital needs of entrepreneurial financing usually consider commercial credit. The commercial bank credit will produce certain benefits in the different development stages of enterprises, which is a non-direct investment mode that small and medium-sized enterprises cannot lack [15].

We borrow money from the target bank enterprise main way: (1) to do a good job of company credit planning management, maintain close contact with business, work gradually accumulated in peacetime, whether the company has credit requirements and target business contact lack, company capital deposit also combined with target business, make business keep a good impression of the company.(2) The company's development and investment and financing management services are bound with the company's target credit business, so that the collaboration has a solid foundation.(3) more communication with commercial Banks, the operation of the enterprise development planning and project construction drawings one thousand ways to make commercial Banks companies know more, let the banking business with clear enterprise needs and development planning, commercial bank company is also enterprise, work also have planning and procedures: (4) to all work first, the enterprise development planning and project construction feasibility analysis report, can take to come over at any time, make commercial Banks companies can more accurately grasp the enterprise credit scale.

6.3 Control financing scale

Manage the company's financing risk, can take the following ways to manage: first of all, although there are many choices of investment ways and methods, but no matter the company choose which way is risky, plus it will be affected by various factors from all levels, more must do investment from various channels, from the start of the operation of the company, both to operating efficiency, investment returns, combine the capital investment and income, investment decisions before and after the investment, to avoid losses. Second, enterprises must consider from the perspective of financing structure, form a scientific and reasonable investment and financing structure system, so that different investment and financing schemes can make up for each other, optimize the investment and financing structure, so as to reasonably avoid the operational risks generated by investment. Continue to carry out technological innovation to find the way to adapt to the development of modern small and medium-sized enterprises to improve the core competitiveness of their development. Second, enterprises should continue to increase investment in research and development, establish their own famous brands, improve research and development skills, and improve the competitiveness of their product sales, so as to improve their business stability. Third, the group company should continue to strengthen the stable operation strength, expand the scale of the enterprise industry, enhance the international market share, and prolong the survival life of the enterprise, so as to further improve the confidence of foreign financial organizations in the steady and rapid development of the group company. Fourth, the company should also do a good job in the economic and technical cooperation with large and medium-sized companies, and increase the cooperation force with its downstream companies, so as to enhance the market competitiveness of the company.

6.4 Focus on environmental risk prediction

The company should pay attention to national policies and regulations, accurately grasp the policy dynamics, reasonably predict operational risks, form a scientific and reasonable investment structure system, so that different investment plans can make up for each other, optimize the investment structure, and then reasonably avoid the operational risks generated by investment. First of all, the management of the company should establish a good risk awareness, realize that operational risks are inevitable in the development of the company, correct the mentality and take corresponding measures to reduce operational risks, do a good job of various financial forecast plans, and reasonably arrange the total amount and timing of raising funds, so as to improve the investment efficiency of the company.next. Once the company faces the huge risk in the investment process, especially caused by the change of the market interest rate, it must carefully study the supply and demand situation of the capital market, study the actual change trend of the market interest rate, and make reasonable investment allocation according to the principle of selecting specific analysis of specific problems. In order to develop steadily and grow in the fierce international competition, the company needs to fully realize the significance of human resources for the development of the company. Secondly, the company mainly actively grasps and makes full use of various new corporate financing policies, and fully explores the ways conducive to the development of the company in China. When the enterprise carries out investment activities, the company should also actively provide softening information on the goodwill and social assets held, so as to help them further enhance the availability of loans. Finally, in the new period of the knowledge economy, the company should be fully aware of the significance of talent training for its development, continue to provide staff opportunities to learn and training, for the ability of all staff, expertise and skills set the appropriate position, further enhance the management culture and staff management level and personal quality, play worker potential, enhance the company's core competitiveness.

7 Conclusion

Because the growth rate of domestic enterprises is very fast, so it plays a vital role in the socialist national economy. Whether in the contribution to the country's gross domestic product, or to the personal employment problems, or even to the country's economic growth, are clearly reflected. In China, if we want to solve the problem of enterprise financing, it needs the joint efforts of all departments in the society. For example, the government departments, banking institutions and enterprises themselves should actively participate in it. The government departments should especially put forward the systems and policies corresponding to the development of enterprises. Establish a complete and full-high market. From the social perspective to enhance the strength of domestic small and medium-sized enterprises, to give small and medium-sized enterprises a stability and growth space, which can also gradually reduce the domestic labor burden, it can be said to kill two birds with one stone.

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