

On the survival of small and medium-sized enterprises under the epidemic situation

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Abstract: Small and medium-sized enterprises play an important role in China's modern economic system. In the severe environment of the epidemic, small and medium-sized enterprises with short life cycle and poor financing ability are facing a huge survival test. In order to survive, small and medium-sized enterprises need to meet challenges, meet national policies, find opportunities in adversity, and overcome difficulties. This paper analyzes the financing problems of small and medium-sized enterprises under the epidemic situation and the impact on their production and sales, and puts forward their own views on how to survive under the epidemic situation through financing channels and supply and marketing methods.

Keywords: small and medium-sized enterprises; epidemic situation; national policy; network age; financing way; supply and marketing way;

1 Introduction

Under the influence of the global epidemic, small and medium-sized enterprises face the double difficulties of weak growth and epidemic impact. The novel coronavirus pneumonia epidemic impact on the whole level will reduce the income of small and micro businesses by 69.5%, as of March 31, 2020. First of all, in the years after 2016, there has been an obvious change in Industrial Enterprises above Designated Size - the loss of state-owned holding enterprises has been reduced, but the loss of private enterprises has increased significantly because of structural imbalance, inherent institutional defects and other problems.^[1] Secondly, the epidemic has hit the small and medium-sized enterprises from two aspects of supply demand and capital operation, and more than one third of the private small and medium-sized enterprises are in a state of loss.

2 Difficulties Encountered By Small and medium-sized Enterprises During the Epidemic

(1) Financing difficulties

Before the epidemic, small and medium-sized enterprises in China developed rapidly under the support of "mass entrepreneurship, mass innovation" and various policies.^[2] However, the common problems of financing difficulties encountered by small and medium-sized enterprises in the rapid development have been difficult to solve effectively, mainly reflected in the narrow financing channels. The data shows that over 98.7% of SMEs in China are financed by bank loans; the "polarization" of SMEs' credit activities is becoming more and more obvious, and there is also a phenomenon of ownership discrimination; the lack of direct financing channels, because of the imperfect venture capital system, the lack of complete legal protection system and policy support, affects the exit of venture capital, and it is difficult for SMEs through equity financing.

After the outbreak of the epidemic, all walks of life have been hit unprecedentedly. As a real economy, small and

medium-sized enterprises are facing high bank loan interest, but they are forced to stop production.^[3] They are facing the dilemma of high expenditure, low income and even zero income. The data shows that there are as many as 3731 small and medium-sized enterprises bankrupt during the epidemic in Guangdong Province, which are oppressed by the financial downturn and the inability of small and medium-sized enterprises to repay normally. Next, the social reputation is not as good as before, for the small and medium-sized enterprises that mainly rely on bank loans to survive and develop, it is undoubtedly worse, the capital is the blood of the enterprise, and the financing of small and medium-sized enterprises is becoming more and more difficult, which makes the small and medium-sized enterprises that just started struggling.

(2) Production difficulties

2019 According to the annual data, the number of units registered as private enterprises is 31.43 million, the number of employees is 220 million, the number of individual businesses is 73 million, and the number of employees is 160 million. According to the data, China's current labor force is about 800 million, of which about 770 million are employed, including 201 million in agriculture and 570 million in non-agricultural employment. The employment provided by private enterprises and self-employed households reached 380 million, accounting for 66.7% of the total non-agricultural employment. The outbreak occurred in January, during the Spring Festival when migrant workers returned home for the new year, most of the small and medium-sized enterprises have stopped production. At this time, each province has adopted the emergency response plan issued by the central government, and the enterprises have shut down in an all-round way.^[4]

On the one hand, labor and other costs continue to accumulate; on the other hand, due to the reduction of demand, the operation is not good, which shows that there are few customers, no orders, and it is difficult to make profits, so that its operating income is difficult to make up for its cost. In this case, even if normal production can be carried out, there is no order. If the situation is not improved, then the risk of bankruptcy is inevitable.

(3) Difficult to sell

During the epidemic period, the data showed that the catering industry, film industry and transportation industry suffered the most serious losses. The first is the catering service industry, which mainly relies on the flow of people.^[5] Most restaurants have already prepared the ingredients, arranged the left behind personnel, received the new year's Eve meal order, and prepared to do a big job. As a result of the full outbreak of the epidemic, all of these have been pressed the pause button. Even if some large-scale hotels adopt the method of sending out new year's Eve dinner, they can't make up for the huge losses.^[6] According to the statistics of the National Bureau of statistics, the national catering revenue in 2019 is 4672.1 billion yuan, 15.5% of which comes from the traditional peak consumption season during the Spring Festival. During the Spring Festival this year, the catering industry was basically closed down and suffered heavy losses. It is estimated that within seven days of the Spring Festival, the epidemic has caused about 500 billion yuan of losses to the retail sales of the catering industry. From the perspective of the loss of business income of Chinese catering enterprises during the epidemic in 2020, the number of enterprises with a loss of business income of more than 100% accounts for 78%, the number of enterprises with a loss of more than 90% accounts for 9%, the number of enterprises with a loss of 70-90% accounts for 7%, and the number of enterprises with a loss of less than 70% accounts for 5%. According to the statistics of the National Bureau of statistics, the national catering revenue in 2019 is 4672.1 billion yuan, 15.5% of which comes from the traditional peak consumption season during the Spring Festival. During the Spring Festival this year, the catering industry was basically closed down and suffered heavy losses. It is estimated that within seven days of the Spring Festival, the epidemic has caused about 500 billion yuan of losses to the retail sales of the catering industry.^[7]

Novel coronavirus pneumonia is expected to be affected by the new crown pneumonia epidemic in April 8th. The global trade in 2020 may shrink by 13% to 32%. In addition to the small and medium-sized enterprises that produce some medical equipment, most of them are faced with the dilemma of "internal worries and external troubles" that the internal demand is too little and the export is seriously shrinking.^[8]

3 Coping Strategies of Small and Medium-sized Enterprises

(1) Actively respond to the government's support policies

Small and medium-sized enterprises are an important part of China's modern economy. In order to maintain the stability of the economy and reduce the cost losses of small and medium-sized enterprises as much as possible, local governments and governments have actively adopted various policies to guide small and medium-sized enterprises to start construction through the way of "cost reduction", and directly provide rent subsidies and tax relief for the mass creative space gathered by small and medium-sized enterprises.^[9]Capital chain is the blood of enterprises. During the epidemic period, in order to prevent SMEs from bankruptcy due to the break of capital chain, traditional finance provides credit and policy support to SMEs seriously affected by the epidemic, and provides more financing channels for SMEs. On February 3, 2020, the people's Bank of China put 1.2 trillion yuan into the market to ensure sufficient liquidity supply. The overall liquidity of the banking system is 900 billion yuan more than that of the same period last year. By stabilizing the supply of credit, reducing the financing cost and giving financial discount support to enterprises, we can maintain the sustainable supply of SMEs' capital chain.

Small and micro businesses novel coronavirus pneumonia and individual businesses have been issued to help alleviate the pressure on rental housing, according to news reports. This was jointly issued by the State Development and Reform Commission, the Ministry of housing and urban rural development, the Ministry of Commerce, the people's Bank of China, SASAC, the State Administration of Taxation, the Ministry of Finance and the State Administration of market supervision. This measure decides to implement the reduction and exemption action of house rent, improve the relevant tax preferential policies, reduce the pressure of enterprises, and increase the support for moving capacity. SMEs can negotiate with landlords and apply for tax reduction through relevant channels to reduce unnecessary costs.

(2) Combined with internet transformation breakthrough

Most of the small and medium-sized enterprises in our country are using the traditional business model, that is, through the old customer group transactions and offline publicity. This traditional business model has a lot of disadvantages during the epidemic period. Compared with the Internet era business model, it has also been magnified during the epidemic period, which has become a roadblock for the production and development of many small and medium-sized enterprises.

The main disadvantage is that customers are relatively single. Generally, a product corresponds to a customer group. In the Internet era, enterprises can correspond to multiple user groups. Sometimes, they do not directly provide products and bear less risks than the traditional business model. During the epidemic period, the demand of many customer groups becomes less or disappears, and the product industry has no way to sell. During the epidemic period, more than 30 county leaders in Hubei live broadcast the goods, which wins the local agricultural products enterprises. All in one, so small and medium-sized enterprises combined with the Internet to find a new way out.

(3) Improve financing channels

1. Supply chain financing

Bank loan is an important way of financing for small and medium-sized enterprises in China. The financial industry is suffering from the epidemic, which makes the enterprises that are difficult to get loans worse. In addition, the current Internet loans and private loans are not sound and risky. Small and medium-sized enterprises need to improve their own financing channels properly. One of the important reasons for the difficulty of small and medium-sized enterprises' loans is that banks are very strict in credit risk assessment of small and medium-sized enterprises, which leads to the failure of enterprises to make loans successfully. However, if this kind of credit risk assessment is transformed into the credit risk assessment of the transaction between the whole supply chain and its core large enterprises based on the supply chain of small and medium-sized enterprises. This is conducive to commercial banks to

better find the core value of SMEs, so that SMEs in the upstream and downstream of the supply chain can obtain bank financing, effectively reducing the financing difficulty of SMEs, we call this financing mode "supply chain finance".^[10]

2. Promote informal financial institutions to enter the regulatory scope

In recent years, informal financial institutions are more perfect than formal financial institutions in mobilizing private capital and collecting information. For example, informal financial institutions such as online lending and P2P, many small and medium-sized enterprises have reached a long-term cooperative relationship with them in order to more quickly and conveniently finance. Although this way of financing is more in line with the current situation of small and medium-sized enterprises than bank loans, but they are not outside the legal supervision for a long time, the operational and operational risks are very high, and it is very easy to appear the phenomenon of network fraud. If the informal financial institutions are rapidly promoted to enter the regulatory scope by law and strengthening supervision, on the one hand, it can make small and medium-sized enterprises easier to finance in the epidemic situation and even in the future, on the other hand, it can maintain the stability of the financial system and prevent the occurrence of major financial risks.

4 Conclusion

2020The epidemic situation in is a major test for small and medium-sized enterprises, facing three difficulties: financing, production and sales. Small and medium-sized enterprises must look for opportunities in the predicament, cater to government policies and market situation, combine the Internet mode to find new sales channels, and improve the financing mode, so as not to break the capital chain of enterprises into bankruptcy. Small and medium-sized enterprises should be reborn in nirvana to make China's economy more vigorous.

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