

The Present Situation and Development Trend of Financing Support for Small and Micro Enterprises in Inclusive Finance

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Abstract

The report of the 20th National Congress of the Communist Party of China clearly pointed out that the goal of building a socialist modern country in an all-round way is to achieve "high-quality development". The report particularly emphasizes the need to accelerate the development of the digital economy, promote its deep integration with the real economy, focus on the real economy, and further increase inclusive finance support for small and micro enterprises. As the backbone of promoting economic and social progress and safeguarding people's livelihood, small and micro enterprises face many challenges during the period of China's economic transformation and upgrading to high-quality development, among which the financing problem is the most obvious. The practice in inclusive finance provides solutions for small and micro enterprises. The purpose of this paper is to explore the current situation and development trend of financing support for small and micro enterprises in inclusive finance, so as to promote the high-quality development of inclusive finance and help small and micro enterprises achieve sustainable development.

Keywords: inclusive finance, small and micro enterprise financing, present situation and development trend

1. Introduction

In order to promote the high-quality development of inclusive finance, in 2023, China promulgated the "Implementation Opinions on Promoting the High-quality Development of inclusive finance", which clearly put forward the plan to initially build an inclusive financial system in the next five years, so as to tap the development potential of small and micro enterprises and provide necessary policy support. As a key driving force for China's economic growth and a group with extensive capital needs, small and micro enterprises still face many difficulties with the support of current policies. In the traditional financial system, the financing difficulties and high financing costs faced by small and micro enterprises have not been effectively alleviated, which not only affects the development of enterprises, but also adversely affects the sustainable economic development. With the progress of science and technology, inclusive finance provides an efficient and flexible financing path for small and micro enterprises. These financial products and service models not only make up for the shortcomings of traditional financial system services, but also promote the integration of digital economy and real economy, opening a new chapter in inclusive finance's support for the development of small and micro enterprises.

2. Development Status of Inclusive Finance

In recent years, the CPC Central Committee and the State Council have continuously adjusted and improved the macro-strategy and overall planning of inclusive finance, which has promoted the expansion and popularization of basic financial services in China. By the end of 2024, China's total loans to small and micro enterprises in Pratt & Whitney climbed to 32.93 trillion yuan, an increase of 14.6% over the previous year, which exceeded the average growth rate of overall loans in the same period. At present, more than 6 million small and micro enterprises have obtained credit qualification, accounting for one third of all operating entities. At the same time, the loan interest rate in inclusive finance continued to decline. In the first three quarters of 2024, the average interest rate of new loans obtained by inclusive finance to support small and micro enterprises reached 4.42%, which was 0.35 percentage points lower than that in the same period in 2023. In terms of financial service coverage, according to the latest data from China's General Administration of Financial Supervision, county banking institutions have achieved comprehensive coverage nationwide, and the coverage rate of township banking institutions has reached 97.93%, and administrative villages have basically achieved full coverage of financial services. These data show

that inclusive finance has made remarkable achievements in supporting small and micro enterprises and the real economy, which has provided strong support for high-quality economic development.

3. Development Trend of Inclusive Finance

3.1 Product Enrichment

On the premise of grasping the core essence of inclusive finance, financial services should not be limited to the credit field, but also cover all kinds of financial products, such as credit enhancement guarantee scheme provided by financing guarantee enterprises, equipment leasing financing service provided by financial leasing enterprises, insurance solutions introduced by insurance industry, and direct financing products in capital market. Under the background of the fourth industrial revolution promoting industrial decentralization, the traditional financial product system with credit as the core, especially those small and micro enterprises that focus on scientific and technological innovation, specialization and novelty, manufacturing and strategic emerging industries, has become increasingly urgent for equity investment, direct financing and diversified insurance products with their own development, but the traditional system has obviously been unable to adapt to the pace of diversification and advancement of modern enterprises. In view of this, while promoting the all-round and diversified participation of non-bank financial institutions and capital markets, it is urgent to build a perfect inclusive financial system, focus on improving the practical effectiveness of credit products, and fully stimulate the innovative vitality of financing models for small and micro enterprises [1]. In addition, in order to ensure that small and micro enterprises of different types and sizes can obtain enough funds to support their sustainable development, financial institutions need to continuously enhance their innovation ability in the research and development of new financial products to meet the dynamic needs of small and micro enterprises.

3.2 Deep Digitization

With the continuous progress and development of science and technology, advanced technologies, such as cloud computing, artificial intelligence, blockchain, etc., have significantly improved the efficiency of inclusive finance, and its operating model has been substantially updated, which has laid a solid foundation for financing small and micro enterprises. In the future, digital technology will integrate all kinds of data information in the development of small and micro enterprises, such as tax, energy consumption, water resources use and other data information, and build a model of "fine description" of enterprise development. At the same time, the intelligent management level of inclusive financial system can be improved by integrating internal data information, thus promoting its all-round integration and development with the financial industry. The digital inclusive financial system can not only effectively solve the financial service acquisition problems of small and micro enterprises, such as information mismatch caused by the lack of credit data, but also gradually transfer offline traditional manpower expansion customers to online automatic customer acquisition, thus reducing the operating cost of inclusive finance. For example, the inclusive finance Reform Experimental Zone in Taizhou, Zhejiang Province has established a credit exchange financial service system, which has shared 470 million pieces of credit information to more than 890,000 banks and other financial institutions. At the same time, it has reduced the average workload of each loan for 20 hours and the 400 yuan fee to zero cost, greatly improving the service efficiency of financial institutions.

3.3 Sustainability

Inclusive finance's practical project is to break the financing difficulties of marginalized groups such as small and micro enterprises and farmers. This is a long and complicated task, which requires the joint efforts of the government and the market to ensure the balance of cost and benefit, and then promote the sustainable development of small and micro enterprises. With the development of advanced technologies such as big data and cloud computing, the marketization process of inclusive finance can be accelerated. Under the current situation, it is very important to implement accurate cost control of inclusive finance system, explore the new risk sharing model and strengthen the prevention of systemic financial risks. In terms of risk sharing, Taizhou first established the first credit guarantee fund for small and micro enterprises in China in 2014. The fund is jointly funded by the government and banks according to the proportion of 80% and 20%, and the annual guarantee rate is suppressed below 0.75%, which sets an example for other local and national credit guarantee funds. In terms of risk prevention and control, Ningbo has developed an early warning system, which can provide financial institutions with 27 key data, including the seizure of real estate and the change of legal representative [2]. So far, the system has sent more than 200,000 early warning messages to financial institutions, covering about 30,000 enterprises; Chengdu has launched the "Tianfu Financial Risk Monitoring Platform", which can monitor the risk status of more than 2 million enterprises, significantly enhance the risk prevention ability, and provide a solid security guarantee for the steady growth of inclusive finance.

3.4 Integrated Development with Green Finance, etc

At present, the world has entered the fourth stage of industrial revolution led by cutting-edge scientific and technological innovations such as artificial intelligence, virtual reality (VR), molecular engineering and quantum information. In this wave of changing times, small and micro enterprises with innovative ability are playing an increasingly prominent role in driving economic growth, and their demand for capital injection, technical support and green development is becoming more and more urgent. In this context, inclusive finance's service sector is actively deepening its cooperation and innovative exploration with green finance, technology and finance and digital finance with a forward-looking vision, aiming at providing solid financial support for the steady promotion of China's "double carbon" goal and the promotion of scientific and technological innovation. At present, Longyan City has developed a forestry financing system with the help of advanced blockchain technology and deep integration of forestry inclusive finance. As of September, 2024, Longyan's forestry finance blockchain financing service platform has achieved remarkable results, and 5,023 green loans have been successfully issued, with a total investment of 1.175 billion yuan, which has injected strong impetus into the development of local forestry industry and provided a valuable example for the development of the industry.

4. Inclusive Finance's Strategy of Supporting Financing for Small and Micro Enterprises

4.1 Improve Inclusive Finance's High-Quality Development Policy System

In order to realize the high-quality development of financing for small and micro enterprises in inclusive finance, it is necessary to build a perfect policy system and mechanism to strengthen the effectiveness of policy guidance. Therefore, we can start from the following three aspects: First, clarify the role of the government and the financial market, and adhere to the principle of government guidance and market dominance. Specifically, we can implement differentiated monetary and fiscal policies, such as directionally adjusting the deposit reserve ratio and interest rate, providing financial subsidies, actively participating in and guiding the construction of the guarantee system, and optimizing the risk sharing mechanism, so as to achieve the dual goals of financial cost control and sustainable development of small and micro enterprises. In this process, the government should flexibly adjust the degree of participation according to the actual development and gradually transition to the market-led model. At the same time, direct intervention in inclusive finance's business should be avoided, and financial institutions can be provided with clear operational guidance by improving the incentive mechanism and audit system, so as to stimulate their potential, improve service efficiency and lay a solid foundation for their dominant position in the market [3]. Secondly, strengthen risk management, raise the threshold for the establishment of small and medium-sized financial institutions, encourage them to develop their business models according to local characteristics, ensure the synchronization of supervision and innovation, and accelerate the establishment of a regulatory system and regulatory framework that matches inclusive finance, so as to enhance the timeliness of supervision. We will steadily promote pilot projects and product innovation, optimize the pilot mechanism, and choose to carry out pilot projects in areas with solid foundation, strong will and sound mechanism, with the premise of cleaning up high-risk financial institutions to prevent risks caused by blind pilot projects. In addition, strictly regulate the supervision of product innovation, adhere to the principle of licensed operation, strengthen the supervision of functions and behaviors, and severely crack down on illegal financial activities, so as to create a healthy and stable development environment. Finally, to promote the integration of inclusive finance, green finance, technology and finance and other innovative financial models, they are interrelated and need to promote their common development through collaborative innovation.

4.2 Consolidate the Foundation of the Development of Credit System in Inclusive Finance

The development of inclusive finance can not be separated from the strong support of a sound information system, which plays a key role in solving the information asymmetry dilemma encountered by small and micro enterprises in financing. In view of this, it has become the only way to push inclusive finance to a new level of high-quality development by laying a solid foundation for the credit system in all directions and further promoting its construction process. First, broaden the popularity of the credit system. With the help of the national information exchange platform, we will vigorously promote the "Credit Easy Loan" special plan, extensively collect and systematically integrate all kinds of credit data of small and micro enterprises, so as to enrich the connotation of the credit system in an all-round way, ensure the completeness of the credit files of small and micro enterprises, and make them accurately reflect the real credit status of enterprises. Second, speed up the process of credit information standardization. Government departments should give full play to the leading role, introduce a series of guiding policies in a timely manner, and supervise the credit system to standardize and innovate the existing data formats, so as to ensure that each subsequent credit data can accurately meet the established standards and improve the data quality and usability. Third, promote the interactive sharing of credit information. By constructing

a scientific, reasonable and effective reward and punishment mechanism, we will try our best to break down the "data island" barrier between data subjects, actively create a good atmosphere for the open exchange of credit data, and continuously inject fresh impetus into inclusive finance's sustained and deepening development, helping it successfully achieve its high-quality development goals.

4.3 Improve the Mechanism of Digitalization in Inclusive Finance

In today's era, digital transformation is the key power source to drive inclusive finance towards high-quality development. In view of this, we should firmly grasp the strategic opportunity brought by the booming digital economy, and make every effort to accelerate the deep integration of inclusive finance and digitalization. On the one hand, efforts should be made to build a sound legal framework for digital inclusive finance, keep up with the trend of the rapid development of digital economy, establish the management norms for the whole life cycle of data, and bring all aspects involved in the financing process of small and micro enterprises into the scope of control, so as to ensure the legitimacy and compliance of the whole process and lay a solid foundation for the rule of law for the orderly development of digital inclusive finance. On the other hand, we should innovate the incentive system and mechanism, dig deep into the sharing potential of the digital inclusive finance platform, cultivate a strong sharing culture atmosphere, fully stimulate its internal vitality of using cutting-edge digital technology to help small and micro enterprises raise funds, and urge the platform to take the initiative to solve problems for small and micro enterprises. At the same time, actively and steadily push forward the exploration of pilot supervision of financial technology innovation, comprehensively integrate the valuable experience accumulated in various pilot projects, continuously optimize the "supervision sandbox" system with China characteristics, build a brand-new supervision ecology that can encourage innovation and effectively control risks, and effectively improve the actual efficiency of intelligent supervision. By gradually expanding the scope of the pilot, enriching the application scenarios, and increasing the types and scale of loans, digital inclusive finance will be integrated into all aspects of financing for small and micro enterprises in an all-round and deep way, providing solid and powerful support for their vigorous growth [4]. In addition, we attach great importance to personnel training, and strive to build a compound talent team that is proficient in financial knowledge, superb scientific and technological expertise, and excellent data analysis ability, so as to inject a steady stream of wisdom into the digital transformation and long-term development of inclusive finance.

4.4 Building a Diversified and Comprehensive Inclusive Financial System

The financing needs of small and micro enterprises are complex and diverse, and it is difficult to meet their diversified needs only by a single credit product. It is urgent to accelerate the construction of an inclusive financial system with comprehensive coverage, multi-level and rich China characteristics. First of all, promote the innovation and upgrading of the inclusive credit system [6]. Adjust the structure of the banking system, enhance the competitiveness of large state-owned financial institutions in the market, ensure their strong support to the real economy, and ensure the stability of the financial market; Further, the establishment and supervision of small and medium-sized financial institutions should be strictly regulated, and they should be encouraged to develop distinctive businesses in the region. Second, build a comprehensive inclusive insurance network. Give play to its role as an economic buffer and social pillar, optimize the insurance network system, promote insurance companies to expand the scope of inclusive services, and provide personalized financing support for small and micro enterprises. Finally, strengthen the construction of inclusive capital market. Focus on supporting the financing needs of small and micro enterprises in scientific and technological innovation, specialization and innovation, manufacturing and strategic emerging industries, adjust and optimize the layout of the capital market, and provide financial guarantee for their development. At the same time, innovative financial service mechanisms such as financial leasing and guarantee will ensure that small and micro enterprises enjoy comprehensive, diversified and efficient support and inject strong impetus into their steady progress to help them flourish.

4.5 Improve the Operating Mechanism of Inclusive Finance Institutions

In order to deepen inclusive finance's policy formulation and implementation mechanism, and consolidate inclusive finance's infrastructure, institutional framework and grass-roots governance system, it is particularly urgent to build a stable operating mechanism. This is not only a solid cornerstone for inclusive finance institutions to cope with cost pressure and ensure business sustainability, but also a core engine to drive inclusive finance towards high-quality development. On the one hand, strengthen risk prevention and control capabilities. It is necessary to deepen the education of risk awareness, urge small and micro enterprises to build a comprehensive management and credit information system, and lay a solid foundation for institutional risk management in inclusive finance. At the same time, implement the real-time tracking mechanism of operational risks of small and micro enterprises, plan risk response strategies in advance, and continuously optimize the risk prevention and

control framework [5]. In addition, we will actively explore new paths of risk prevention and control, integrate cutting-edge digital technologies such as blockchain, big data and cloud computing, and seamlessly connect them to all aspects of credit approval and follow-up management, so as to enhance the accuracy of risk identification and efficiency of handling, and strengthen the supervision of business processes, especially in due diligence and loan survival management, to ensure the reliability of primary repayment sources and keep risks under control. On the other hand, optimize the assessment mechanism. The performance appraisal system should be adjusted to enhance the weight of inclusive finance services in the evaluation system of financial institutions, so as to encourage financial institutions and their employees to increase their investment in business resources in inclusive finance; To improve the due diligence exemption mechanism, we should not only pursue the responsibility for dereliction of duty in inclusive finance's promotion, but also flexibly authorize grass-roots business units to reasonably reduce the pressure on grass-roots employees, so that they can devote themselves to the practical work in inclusive finance, thus stimulating the overall efficiency.

5. Conclusion

By improving the policy system, consolidating the foundation of credit system construction, perfecting the digital system and mechanism, and building a comprehensive financial system, inclusive finance has played an increasingly prominent role in supporting the financing of small and micro enterprises, effectively alleviating the financing difficulties and expensive problems of small and micro enterprises. Under the background of continuous development of financial technology and continuous optimization of policy environment, inclusive finance should pay more attention to service quality, improve service efficiency and provide more convenient, efficient and safe support for small and micro enterprises in the future. At the same time, in order to promote the sustained and healthy development of China's economy, financial institutions need to continue to strengthen the construction of risk prevention and control system, promote the high-quality development of inclusive finance, and thus help small and micro enterprises achieve sustainable development.

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