



The Research on Financial Leasing and China's Small Micro Enterprises

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Abstract

The financing difficulties is China's small micro enterprises existence a universal problem, it has become the main small micro enterprises development of a bottleneck. The financial leasing in the service of small micro enterprises has marked effect. First, to broaden the financing channels of small micro enterprises, second, reduce the fund pressure of small micro enterprises, and the third, promote the technology innovation of small micro enterprises, fourth, promote the market development of small micro enterprises. Due to lack of necessary knowledge on financial leasing, corresponding policies imperfect, lack of the necessary capital supply, affecting the development of financial leasing. To promote the development of financial leasing, China should establish uniform management system, improve the relevant policies, expand the funding sources of financial leasing.

Key words: Small micro enterprises; Financial leasing; Role; Problems; Suggestions

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INTRODUCTION

Small micro enterprises in the process of economic development of China plays a more and more prominent

role, however, China's small micro enterprises generally faced the difficulty of shortage of funds. How to solve the financing problems of small micro enterprises is a hot issue in China's economic development. Studies have shown that financial leasing is an effective way to solve the financing difficulties of small micro enterprises in China. Positive development of financial leasing, can effectively resolve the financing problems of small micro enterprises, thereby promoting economic development.

Financial Leasing as a new way to trade, it put the traditional rental, trade and financial way all organic combination up, be understood as a financing bank loans and capital markets after the third road. Financial leasing has the dual function of financing and financial objects, has its unique advantages in the service of the real economy, especially in services to small micro enterprises. In 2010 June, Chinese financial authorities issued further completes the small micro enterprise financial service work certain opinions, requirement to the development of the financial leasing business. The full display financial leasing's function, may promote the small micro enterprise's development effectively.

1. FINANCIAL LEASING IS THE IDEAL FINANCING OPTIONS FOR SMES IN CHINA

Because China's small micro enterprises financing channel is narrow, the financial leasing in service for small companies can give full play to the advantages provided a condition.

The enterprise financing way has stockholder's rights financing and the creditor's rights financing two types. Stockholder's rights financing can be divided into two forms: public offering and private collect. The public to raise financing is IPO financing. From the present situation of the development of China's capital market see, through the IPO of the financing of enterprise are

only a small part, thousands of companies listed on the inside and outside is only a very small part of the tens of millions of enterprises. Do not need to undergo a rigorous listing of the audit through a private placement financing, relatively speaking, easier to achieve financing, however, due to the operation of the private equity funds to achieve legalization, even though the public has a lot of private equity funds exist, but really be able to supply the amount of money is relatively limited. On the creditor's rights financing, at present China's form of creditor's rights financing is single, mainly bank credit channel. Bank considering security problems, often to provide money for a credit ratings, the strength of large enterprises, in addition, due to the bank credit market degree is relatively low, not established truly mature enterprise credit rating system, especially the rating system of the small micro enterprises, so that the bank credit activity impossible cover a much wider range of debt financing needs, only to meet a range of financing demand. So, small and medium-sized enterprises, especially small micro enterprises financing constraints become enterprise development of a bottleneck.

Financial leasing way was invented in the 1950s, as a kind of long-term debt financing, is by the lessor according to the lessee's need, in advance in accordance with the contract, the lessee to designated betray a person to buy the lessee designated fixed assets, in the lessor has the fixed assets under the premise of ownership, to the lessee pays the rent for conditions, will be a period of time fixed assets and earnings of the right to transfer to the lessee.

Financial lease financing way has several obvious features: First, the lessee may have a full financing. Second, can save the lessee's capital investment, reduce business cash flow pressure. Third, the leased equipment is selected according to their needs to determine by the lessee. Fourth, lease activities involve at least three parties, can form the mutual restrict. Fifth, after the expiry of the lease, the lessee of the equipment used dispose of the three options remain to purchase, renew or surrender of tenancy rights. At the same time, the financial leasing has the function of financing and product promotion function. Financial leasing's characteristic and the function speaking of the financing channel narrow small micro enterprise, is one relatively ideal financing solution way. Therefore, financial leasing has superiority serves for the small micro enterprises, it easier to become one kind of substitution choice of small micro enterprises long-term creditor's rights debt financing.

2. THE ROLE PLAYED BY FINANCIAL LEASING SERVICES TO SMES

Financial leasing advantage decided it has a unique role in service for small micro enterprises.

Financial leasing has the following advantages: First, provides professional services for small micro enterprises. Leasing companies often choose some specific industry

to carry out leasing business, can provide enterprises with professional services. In the process of cooperation with the enterprise, the leasing company in addition to providing financing service outside, with the development of it industry, enterprise to the understanding of the profit model, and master the management of the enterprise, which objectively can play on small micro enterprises guidance. Second, procedure is simple, flexible service. Usually, the small micro enterprises has short, anxious, the quick characteristic to the fund demand. Compared with the bank credit, financial leasing to the lessee of assets and liabilities of the requirements is not high, do not need to strict examination and approval, only need to the lessee of the future cash flow of an investigation. The small micro enterprises with rents the company to work out the different contract, satisfies the tenant to the cash flow request, the rent payment pattern may also process nimbly. Therefore, financial leasing way more accord with small micro enterprises capital demand characteristic. Third, helps small micro enterprises to reduce operation risk. Not afford to buy production equipment, the lessee obtained through financial leasing equipment, the project put into operation as early as the early benefit from improved operating efficiency. The financial leasing reduces the outflow of funds for the enterprise equipping. Financial leasing scheme is designed with a certain degree of flexibility, leasing companies can be tailored according to the enterprise's cash flow rent repayment plan, avoid enterprise repayment pressure too concentrated, thereby reducing the financial risk. Entered into a lease contract, the equipment prices, rentals and other important issues are to determine the one-time, the lease term remains fixed, thus reducing the uncertainty due to price fluctuations in the process of renting.

Because financial leasing has the advantage, therefore, it plays a unique role in service for small micro enterprises.

2.1 Expand the Small Micro Enterprise's Financing Channel

Bank considers to the safety of the credit funds to set up corresponding assets loan mortgage conditions, the small micro enterprises are restricted by many factors, it is difficult to obtain loan from the bank. Compared with the cumbersome procedure of the bank loans, financial leasing often do not require the lessee to provide credit guarantee finance simplicity, therefore, the financial leasing for those in the early days, there's no mortgage assets, the lack of complete credit history, asset-liability ratio higher small micro enterprises, especially small micro enterprises in the start-up stage to provide a realistic financing channels.

2.2 Reduce the Small Micro Enterprise's Fund Pressure

Compared with corporate self-purchase of equipment, through financial leasing, the lessee pays the rent way to obtain the right to use of machinery and equipment, a

combination of financing and investment, to create the operating profit. Although the equipment not getting the ownership of the equipment, but, the enterprise to pay the rent for the far less than the amount needed for the lump sum investment financing volume. With the aid of financial leasing, the lessee is by equipment, return the money, namely to rent way to pay for the equipment. The rent installment payment amount by the lessee and the lessor is both in their cash flow condition considered after certain, beneficial to the lessee cash flow, managing enterprise capital expenditure, reduce the financial pressure. In addition, because of the financial leasing is not included in the company's balance sheet, through financial leasing enterprises can reduce the rate of assets and liabilities, for the enterprise development laid the foundation for other financing activities.

2.3 Promote the Small Micro Enterprise's Technological Innovation

Financial leasing can make both supply and demand meet directly, reduce the intermediate link, so as to facilitate the equipment into the fields, and drive enterprise production development, financial leasing to become the link of enterprises cohesion production and sales. Due to the strength of strong small micro enterprises reduce the full risk of equipment investment, so that enterprises have more energy to track changes in the market, accelerate technical innovation pace, produces more competitive products. Small micro enterprises through financial leasing to reduce the burden of equipment investment, quickly get the needed technology and equipment. This way can shorten the technological transformation of the enterprise and equipment renewal cycle, through the continuous rent advanced equipment to shorten the time machine equipment use, thus speeding up production equipment renewal, maintain production technology lead, and seizes the market opportunities.

2.4 Promote the Small Micro Enterprise to Develop the Market

Financing and the sale are two difficult problems which the small micro enterprises faces. Financial leasing has not only solved enterprise's financing problem, moreover the help enterprise has developed the market. May reduce the selling expenses through financial leasing, reduces purchases the threshold, enhancement customer purchase ability, to reduce sells link's account receivable and the time sale risk. At the same time, because financial leasing is one kind manages the behavior, between the lessor and the tenant maintains continually the good communication condition, the tenant can act according to the customer feedback the information, carries on the renewal and the consummation to the product, maintains the product the lead. Through financial leasing, may communicate the finance, the trade, to produce three markets, the guidance capital reasonable order is mobile, promotion financial capital, industrial capital and trade capital fusion.

3. THE PROBLEMS OF CHINA'S FINANCIAL LEASING AND WHY

2011 China financial leasing industry development report shows, to the end of 2011, 286 Chinese operations in the book all types of financial leasing companies, financial leasing contract balance of approximately 930 billion yuan. Should say, financial leasing industry development scale and the development of the Chinese economy condition is don't match.

3.1 Problems of Financial Leasing

Although China financial leasing business started in 1981, but look on the whole, it is still a new business in China, is still in the initial stage of development, the external market environment, the legal environment is still not perfect and mature. As the main body of market rental company professional skills, management level, risk control ability has yet to be further improved. *2011 China financial leasing industry development report* listed the problems of China's financial leasing industry: First, to financial leasing profession understanding existence erroneous zone. The Department concerned thought that financial leasing will boost the inflation, thus, the financial leasing company has adopted the scale control policy, rented enterprise's sources of fund to come under the influence. Second, financial leasing business in areas around the development is not balanced. As 90% of all types of financial leasing companies are concentrated in 30 cities, including Beijing, Shanghai, Tianjin, while the rest of the country more than 200 Earth-level above the city, including some capital cities, has not a financial leasing company. Third, relevant laws and regulations are not perfect. The development of financial leasing industry still lacks a unified and effective judicial safeguard. Fourth, financial leasing company's risk awareness is still relatively weak. The country related supervisory department's supervision system is not perfect. Many lease enterprises did not set up effective risk control mechanism. Some lease enterprise on a smaller scale, but business promoting soon, capital adequacy ratio even less than 1%. Some comprehensive lease in the business enterprise develop, after-sales back to the proportion of the rent is too big. In addition, China's financial leasing industry regulation is not uniform. China's financial leasing industry, according to the different nature of the investor, by the People's Bank of China, the CBRC, the CSRC, the Ministry of Commerce of China, both funded by commercial banks or the four asset management companies, non-bank financial institutions supervision by the CBRC, also includes by each kind of non-financial enterprise investment, the Ministry of Commerce of China is responsible to supervise, not to include the financial organ to rent the company.

3.2 The Cause of the Problems

The main reason is to influence the development of China's financial leasing: First, the society lacks the enough understanding to financial leasing. Looking from the idea angle, the China's enterprise is accustomed to have equipment's property rights, makes every effort itself to have the machinery equipment. This has created the partial machinery equipment idle condition to a certain extent. In fact, the lease can greatly improve the utilization of equipment. Second, a comprehensive policy package problems. Leasing penetration is far lower than developed countries, is incompatible with the speed and level of development of China's economic development, one important reason is related legal construction to lag behind the development of the leasing industry. In China, the lack of a unified financial leasing legislation and supporting regulations are not perfect, under the existing law of contract, the reality of laws system, rents the power is the relations obtains the effective safeguards with difficulty. Third, the money supply problems. Leasing companies lack the necessary financing channels and means of financing, financial leasing is not according to the market demand for independent raise funds, therefore, difficult to meet the demand for rental business.

4. THE SUGGESTIONS OF PROMOTE CHINA'S FINANCIAL LEASING DEVELOPMENT

In view of the financial leasing to small micro enterprises with outstanding advantage, the state should be the development of financial leasing to give more accommodative policy. China since launching financial leasing business since, after more than 30 years of development, has initially formed a certain scale, but, due to the management system of unity, leasing company business scope narrow, rental agencies such as less problems affecting the development of financial leasing and function. To speed up the development of financial leasing, should be united financial leasing management system, to strengthen the management of the lease. The government should set up and perfect the financial leasing legislation, perfect the preferential policy. By expanding the sources of funding in the financial leasing, and promote the development of financial leasing.

4.1 To Establish a Unified Financial Leasing Management System

Due to the management system, financial leasing management is not uniform, the pattern of inconsistent regulatory system. Different types of leasing companies have different management practices, their ability to finance is not the same, large differences in market activity, unequal competition within the industry, thus affecting the development of financial leasing. The

Government should set up a national leasing association, to establish a unified management system to realize the unified management of the financial leasing. Come on stage of industry standards and work out unified industry standard, unified the self-discipline issued management measures, clear all kinds of market access conditions of the leasing company, business scope and operating procedures, improve the system of supervision and management indicators.

4.2 Improve the Relevant Supporting Policies

Speeding up the financial leasing legislation, establish and perfect the financial leasing regulations, standardize all kinds of financial leasing company's products, clear all kinds of financial leasing company equal legal status. Perfect the corresponding preferential policies. Because of the financial leasing has strong cross industry characteristics, facing the tax, license, registration of property rights, import and export tax rebate and a series of policy issues, in addition, each of the local policy of inconsistent standards, for the lease of preferential policies are not uniform, some practices are not relevant departments of the state recognition, financial leasing in the actual operation process there is some risk. The government should coordinate all aspects of policy, for the development of financial leasing to create a good policy environment.

4.3 Expand Financial Leasing Funds

Because capital source of a single, long on bank lending, the leasing company development power and the risk control ability is insufficient. The government should make the financial leasing loan guidelines, given the financial leasing companies greater credit support. Promote the docking of the financial lease and bond markets, capital markets, study the management approach on leasing companies to issue bonds or IPO, effectively solve the leasing company capital source.

In addition, to strengthen the financial leasing propaganda, improve the social influence of financial leasing, for the financial leasing industry to create a favorable external environment. Increase financial leasing personnel training, to provide personnel support for the development of financial leasing.

CONCLUSION

Small micro enterprises play an increasingly prominent role in economic development, therefore, the promotion of small micro enterprises development is an important driving force of China's economy in the future be able to maintain sustained growth. If do not solve the financing difficulties of small micro enterprises, it will affect the sustainable development of China's economy. The financing difficulties of small micro enterprises in China, are a widespread problem. Analysis of the financing

channels for enterprises, financial leasing is an effective way to solve the financing problems of small micro enterprises in China. To promote the development of the China's financial leasing, through top-down design of the system, to establish a unified financial leasing management system, and improve related policies, and effectively expand the funding sources of financial leasing.

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