SMEs Financial Management Problems and Countermeasures

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Abstract: Small and medium-sized enterprises (SMEs) in economic and social development plays an irreplaceable function and role, is the important strength of promoting China's economic and social development. With the development of market economy and the further development of reform, this effect will be even more significant. For China's economy is in transition, the healthy development and growing of SMEs, is useful to promote the transformation of economic growth mode, and industrial structure adjustment and upgrading. Financial management plays a vital role in the SMEs development and growing, at present, and there are many problems in the financial and management of SMEs caused by the external factors and internal factors, this hinder the reform and development of SMEs. Discussion the methods to solve the problems and countermeasures to improve the small and medium-sized enterprises, financial management level, and enhance the competitiveness of enterprises and the ability to resist risk has important practical significance.

Keywords: SMEs, Financial management, Problems, Countermeasures

Introduction

SMEs financial management problems can be divided into external and internal problems, this essay starts with improving the external environment and improve their own management level two aspects, break through the imitations of solving specific problems before in the financial management, on the basis of the modern financial management theory, analyze the reason with both of the process, framework and operation level, eg. changing of financial management concept, perfection of the process and system, using and innovation of modern financial management method. etc, to explore the ways of improving the SMEs financial management level.

1 The SMEs Financial Management Situation

1.1 The external environment of SMEs financial management
In recent years, SMEs development policy environment has been improved, such as capital support efforts to strengthen the promotion of SMEs, and the special provisions "funds to support the" a chapter, the requirements from various aspects of SMEs to broaden the financing channels; The credit guarantee system has been improved gradually; Service system construction achievements have been made, etc. But because of the influence of system thinking and habits, SMEs development environment didn't get fundamental improvement. In reality, there are also many problems, the rules and laws system of supporting SMEs need to be improved, the administration need to strengthen the service idea furtherly, the development policies should be further supported increasingly.

1.2 The internal status of SMEs financial management
From the actual situation, SMEs in China, mostly ignore the central position of financial management, the rigid thoughts make enterprise administration to be limited the manufacture; Financial management system, financial policy and process are not perfect; Financial management method fall behind, management efficiency is low.
2 The SMEs Financial Management Problems

The SMEs financial management situation is almost the problems, through to the SMEs characteristics of financial management and the analysis of the current situation in China, can be found the problems in the external macro environment and internal management. The following shows the problems by two aspects respectively inside and outside.

2.1 External problems
Due to the economic environment and system of the macro some factors, and small and medium-sized enterprises in the financial management is influenced by many negative effect. For example, the policy of "discrimination" make small and medium-sized enterprises can't fair competition with large enterprises; The local government industry management department a lot of intervention, make small and medium-sized enterprise financial management goal incompletion; too much influence by enterprise leadership etc.

2.2 Internal management problems
In addition the external inevitable problems, internal management problems caused by the restrictionits of own factors is the main points.
(1) Ignore the the core position of financial management, financial management concepts backward, financial management level is low
On one hand, SMEs typical management mode is the unity of property rights and the management rights, the enterprise investors also is operator, this mode of enterprise financial management brings the negative effects to SMEs.
On the other hand, enterprise managers financial consciousness is weak, ignoring the core position of financial management, financial management concepts backward; Lack of modern financial management idea, pay attention to the enterprise production activities, don't pay attention to financial management, not put the financial management into enterprise management the effective system, make financial management lost the original position and role.
(2) The foundation of financial management is weak, the systemis not perfect
Normally, although SME has its own unique internal management system, but the most policy depends on the favor of operator itself, and often in the constant change, so there is no some clear characteristics. From this perspective, SMEs internal financial management is big optional and blindness, this causes the SME internal management foundation is generally weak. Currently small and medium-sized enterprise has not established strict financial accounting system, including real-check, card-check, account-check. It is difficult to carry out financial accounting procedure. ¹The weak accounting foundation is not useful for the completion of financial management orderly.
Financial internal control mechanism is weak. Most of small and medium-sized firms have not set up and perfect the internal accounting control and internal audit control system, without the strict internal control and approval process, difficult to play the financial control functions.
(3) Financial management method backward, information level is low
SMEs financial persons lack of modern financial management ideas, knowledge not promptly update, to the financial management know only stay in counting and booking, it is difficult to utilize the value of financial reports².
Although most small and medium-sized enterprise apply the basic financial accounting system, but not establish a perfect financial management information systems; financial information system doesn't

match smoothly with the logistics, manufacturing, sales and other functions, which is unable to provide a complete enterprise operating information, the informatization level is needed to improve.

(4) Lack of funds investment budget decision function. Due to the SMEs the investment decision is not the main part of the daily financial activities, so operators generally do not take the capital planning and budgeting. Small and medium-sized enterprise behavior often lack of long-term planning, most enterprise's decision by the operator on a experience, some major decisions is determined without economic feasibility analysis of project.

(5) Insufficiency of asset management science, weak controlling

SMEs generally have no strict assets management policy, more human effects, eg: first, cash management is not rigorous, causing leave unused capital or insufficient, some enterprises in the cash is plentiful, no favorable investment way, cause money idle and waste, and some enterprise has no plans to use capital, into a blind financial trouble which result in a crisis; Second, to the inventory controlling, stock product occupies many funds, cause the revolving funds; Third, Without customer credit assessment and proper credit policy, accounts receivable management is lax, causing lots of bad debts. Fourth, pay attention on cash not asset, has not effective asset management method on raw material, unfinished goods and fixed asset, physical counting is difficult, causing asset lost.

3 The Methods and Countermeasures to Solve the Problems

From the current situation of the development of the SMEs and actual conditions of financial management level, the problems found, the purpose is to solve. Based on the modern financial management theory, with the experience of foreign small and medium-sized enterprise development and management, through both improve the external environment of survival development and strengthen the enterprise's own management to explore the methods and countermeasures to solve the problems.

3.1 Improve the external environment of survival development

3.1.1 Improve the external environment of SMEs, increase the supporting strength

Remember an economist said, what the development of Chinese enterprises need most is the environment. (1) Perfect the ownership structure in the foundation, further improve the status of small and medium-sized enterprises. To clear the SMEs position in the entire national economy, is the important growth point, is the foundation of long-term full employment, the overall well-off society, and Make sure SMEs has the equal status with large state-owned enterprises, maintain the lawful rights and interests, protect and regulate the small and medium-sized enterprise development and construction. (2) To improve the corresponding supporting policy, intensify the SMEs policy guide and support, to speed up the system innovation, continue to perfect the market economic system. Financial aid and preferential tax is common practice of governments to support and protect SMEs in the world.

3.2 Strengthen own management, improve own quality

As policy makers, should efforts enhance the policy support to SMEs, improve the external financing ability, create a good business environment. But as owners and operators of SMEs also cannot blind emphasis on government support, and should actively change the idea, pay attention to the core positon of financial management, learning modern enterprise management system, regulating the business; While In fully grasp the modern financial theory knowledge, should set up enterprise financial system framework, to strengthen the own management.

(1) Set up suitable financial goal, build the concept of financial management center

Transfer the management concept from the pursuing at present interest to pay more attention to pursue the future interests, the enterprise not only on commodity business, pay more attention to capital management, enterprise management from the "real management" leap to "value management"; financial management goal is corresponding into the maximization of enterprise value.

The choice of enterprise financial management goal is not only one kind business purpose, but also the
reflection of operators operating concepts and strategic concept. SMEs should pay attention to long term, treat the enterprise value index, create the financial work guide line, divide into all aspects of the specific quantitative index, form the evaluation index system of financial goal.

(2) Perfect the financial management and internal control system
① Financial management system is the arrangement of enterprise internal financial management organization and its financial authority and financial liability. Establishing a scientific and reasonable suitable financial management structure is the important content to perfect the financial management system. SMEs is small in scale, longitudinal management level less, determine the less horizontal and vertical financial management organization, many financing and accounting combines to one.  
② Construct perfect accounting system, establish the "management" enterprise financial and accounting work patterns. The accounting work focuses on productive scientific management. Adopt advanced management method, enhances the standardization and orderliness of enterprise financial and accounting work, play the guiding role in the enterprise management. 
③ Establish strict procedure of enterprise financial management, make SMEs work going on in accordance with the modern advanced management procedures, so as to improve the scientific and effectiveness of enterprise financial management. The basic process can be: forecast -financial decisions-the financial budget, financial control, financial supervision–financial performance evaluation.  
④ According to industry characteristics and the actual business process, build a reasonable internal control procedures, financial management and enterprise management will be closely combining, through the integration and analysis of the financial information and data, to improve the level of internal control and guard against the risk out of controlling.

(3) Training a good skillful and professional financial team, hire person who has professional level as far as possible; financial personnel to professional regular train, through continuous learning new knowledge, make its have solid professional theory, master the scientific advanced management ideas and methods, and constantly improve the practice operation level. Based on the consideration of the enterprise comprehensive strength and actual financial request, plan to promote enterprise financial management information level step by step. Further perfect financial information management system, the conditional enterprise can implement ERP, realize financial integration with purchasing, manufacturing, sales and other data module and improve the overall lever.

(4) Investment have to face the market, prepare the project feasibility study, making correct investment decisions, and effort to reduce the investment risk.
① First, adopt the discount method when choose investment projects. When the investment scale different or cash inflow time is abhorrent, should choose net present value approach as choice results, in order to achieve the maximization of enterprise value. Second, the investment decisions should choose the suitable industry direction based on the state macroeconomic industrial planning and the actual situation of SMEs. In a startup period of SMEs, lacking of money, should first consider labor-intensive industries; If the enterprise has certain financial strength, and a better investment opportunity, should choose a timely capital-intensive, but be aware that threw liquidity and safety, guard against financial risk; If the enterprise has the abundant technical force and the research development ability, it should choose technology-intensive industry. SMEs have ability of existence and development so long as the advantages in product and service, so should choose the project around the own advantage.  
② Investment can be divided into internal and external investment, in view of the SMEs investment ability, we should give priority to internal investment way. Internal investment mainly in the following aspects: firstly is invest to new product production. secondly it is to invest the improvement of technical equipment. Thirdly is the human resources investment. At present should pay special attention to the human resources investment, at some point, the strengthening human resources investment, have certain

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high quality management technology talents, is the enterprise are the key to success
③ Spread the investment direction, reduces the risk of investment. SMEs can make diversified
management after capital accumulation thus disperse investment risk.
④ Standardize the project investment process. After have a certain ability on the capital, technical
operation, management, can use common practices, standardize the project investment program,
implement supervision of investment, investment activities of each stage do elaborate design and
implementation. pay attention to follow up the strategy, avoid investment risk.
(5) Practicing skills, strengthen the asset management
① "Operation efficiency, form a reasonable capital structure, the determination of reasonable liability
rate, make capital use get the best effect. While improving capital structure, maintain certain ability of
cash, in order to ensure that daily turnover of funds, to prevent the flexible market volatility and loans
difficult market restrictions, determine the best holding." 4
First of all, make the origin of capital matches with use effectively. Such as never use borrowed money
to buy short-term fixed assets, avoid leading to the capital turnover difficulties; Second, the accurate
forecast of time and money back pay. Such as accounts receivable when recoverable, when can purchase,
etc, all want to accomplish know fairly well, otherwise, easy cause payments imbalances, cash strapped;
Finally, reasonable allocation of funds, liquidity and fixed capital should be done in the occupation of
the reasonable combination.
② Strengthen the control property. Set up and perfect the internal control system of property material
management, standard material purchasing, receiving, sales and sample management procedures. By
different personnel in charge of the management of the property, record and inspection. Make the
inventory regular cycle counting policy, implement strictly.
③ Strengthen inventory and account receivable management. As far as possible compression outdated
stock supplies and reduce capital, takes up the scientific method to calculate and ensure optimal stock
holding.
To strengthen the management of accounts receivable, regularly assess the credit of customer, regular
revaluation enterprise's credit policy, main customer credit level; Regular check accounts receivable,
make the perfect management measures, strictly control the collection bill age; Strength sales contract
management, set up enterprise business features sales monitoring system.
(6) Strengthen financial forecasting budgeting, analysis and control
Prepare the financial forecasting and budgeting, and strictly implement, regular analysis of budget
implementation; through the financial forecast and analysis, objective evaluate the company economic
activity and financial situation during the reporting period, summarize the management experience, find
problems, search the measures, to improve the management level.

4 Conclusion

The problems involved in this essay are the universal problems in the small and medium-sized
enterprise financial management, different enterprise has a different problem, the same problem has
different performance in different enterprise, the solution to specific the problem can't radically improve
financial management level. Therefore this essay starts from improving the external environment and
their own quality two aspects, pay attention to improve the quality of the enterprise's management, on
the basis of the theory of modern financial management basis, this essay proposes that change financial
management concept, set up a suitable financial management process and system, adopt the modern
financial management methods., fundamental and systematic improvement measures; improve the
quality of the financial team, strengthen financial management informationization level, complete the

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financial budget and control, strengthen asset management, etc. the specific measures; to achieve the combine of management framework level and practical operation level, from go up with improvement in the foundation of financial management, to improve financial management and enterprise management.

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