

Research on the Adaptability of Folk Capital Stock on Macmillan Gap

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Abstract. With the development of economy, small and medium-sized enterprises play a more and more important role in our country. In recent years, although small and medium-sized enterprises in our country have made great achievements in the development, financing difficulties are still the most prominent problem. Meanwhile, the folk capital has continued to rise, especially the recent ten years. Under the financing difficulties of small and medium-sized enterprises, this article analyses the adaptability between the folk capital and "Macmillan Gap" through the characteristics and investment preferences of folk capital and characteristics and financing preference of "Macmillan Gap". Finally, the illustrated Internet finance provides a platform to make folk capital and "Macmillan Gap" effective docked combined with current situations.

Introduction

With the economic development and special economic transformation, small and medium-sized enterprises are an important part of economy in China. According to the statistics, more than 90% of Chinese enterprises are SMEs, which are an important force of employment and independent innovation in China. But during the development process, there are still many problems. The funding gap issue is one of the most prominent problems. Less than 20% of the SMEs use bank financial resources. Thus, to find the right financing and expansion financing is key to the development of SMEs.

Since the reform and opening up, China's folk capital stock has increased year by year, especially in recent years. The total amount of folk capital has exceeded 30 trillion yuan, and the folk capital stock is increasing year by year. Idle folk capital stock is a supplement to traditional bank finance. When the SMEs' financing is in the difficult situation, the stock of folk capital can provide SMEs with new financing channels. Thus, by studying the reasons for SME financing difficulties, comparing to the features of folk capital and Macmillan Gap, researching on the adaptability of folk capital stock on Macmillan Gap, we can propose practical financing measures to help SMEs solve financing difficulties and their development, which is of great significance on the promotion of economic development.

The Present Status of Folk Capital Stock and Macmillan Gap

The present status of folk capital stock. According to the investigation of National Federation in 2013, the contribution of folk capital to China's GDP has exceeded 60%, which unwittingly promotes the development of China's economy and is of great importance on China's economic development. Expect of the contribution to GDP, more than 80% of new urban jobs and 60% of the technological innovations are derived from folk capital, which mainly includes folk capital which is available for the investment funds of folk enterprises and the savings and other financial assets owned by the residents. According to the data of the past five years, the disposable per capita income of Chinese residents has increased year by year. Their capital has continually accumulated. According to statistics, until in 2011, the amount of Chinese residents' savings has reached to 33 trillion yuan. And in accordance with our definition of savings, the household savings does not include the residents' cash, securities and so on. Thus, the total amount of folk capital is more and the folk capital volume is

huge. And because of the lack of effective investment channels, the huge folk capital is still in an idle state. In order to keep or increase the value of these funds, the flow to SMEs should be realized.

The present status of Macmillan Gap. In 1929, the global Great Depression broke up, which severely affected the British government which appointed the committee headed by Macmillan make in-depth investigation to find the causes of the Great Depression and to propose the solutions. Until now, although the phenomenon of Macmillan Gap has been weakened, there is still a large number of countries have serious Macmillan Gap among the world. This global problem has not been fundamentally resolved and China's Macmillan Gap problem is more prominent.

Because of China's late market economy start, the phenomenon of Macmillan Gap is not obvious at first. However, with the gradual deepening of the market economy and the development of China's folk economy, the problem of Macmillan Gap has gradually revealed. From the perspective of financing, the financing of SMEs in China are mainly internal financing and external financing. On internal financing, the SMEs abroad own sufficient funds which meet the needs of their development. However, China's SMEs are diametrically opposed. There is not enough equity capital which can meet the needs of their development. And there is an urgent need for external financing support.

Bank loan, corporate bond and equity financing are the main form of external financing. Admittedly, bank loan of SMEs is still a very important indirect way of financing. However, the SMEs' size is smaller; its total amount of assets is less; its credit index is relatively lower; its risk is higher. Therefore, compared to bank loans for SMEs, the banks are more willing to lend to those large-scale ones whose total assets is larger with relatively better reputation. Therefore, the SMEs' bank loans have been influenced by the banks' internal regulations and other restrictions. Moreover, the banks' lending procedures are cumbersome and inefficient. To some extent, it makes the SMEs less positive.

Issuing corporate bond is also an important way of financing. In order to facilitate the financing of SMEs, the government has launched SME board and GEM. By the end of 2014, the number of SMEs which register in the business sector has more than forty million. The number of listed companies in SME board has reached to 783. The number of listed companies in GEM is more than 500. The numbers together up has not been more than two thousand, and it is far less than the number of SMEs. Visibly, the equity financing remains a high threshold. For the most SMEs, they have met the requirements of listing and they cannot benefit from it.

The Adaptability of Folk Capital Stock on Macmillan Gap

The features of folk capital stock and the investment preferences. The features of folk capital stock. Huge total amount. The residents' savings belong to financial folk capital in folk capital. Although the amount of each resident's money is low, the amount of the residents' is large. Furthermore, due to the lack of investment channels for docking, the majority of the residents' savings are still in the idle state, waiting for investment opportunities.

Flexible, convenient and strong liquidity. Since the majority of folk capital is in idle, the funds can be withdrawn at any time. It has the feature of strong liquidity. Unlike the lending of four state-owned banks, folk capital has no provided processes and systems. It is more convenient and improves financing efficiency.

Profit-driven. Folk capital advocates maximize revenue. The interest rate of bank deposits is lower. When a higher interest rate occurs and the risk is in line with their expectations, they know the investment opportunities occur and they will invest their idle capital in the bank.

Risk aversion. The influence of traditional ideas make the residents take the pension and health care and other issues into account. They usually hold a cautious attitude to the investments and try to avoid the investments with high-risk.

The interest rate market. Folk lending is mainly affected by market supply and demand. Therefore, its lending rate is mainly determined by the market. It varies with the supply and demand of the capital in market.

The investment preferences. Household savings is an important part of folk capital. The capital amount of an individual has the feature of strong dispersion. Its risk tolerance is not strong. Thus, folk

capital has the feature of high risk aversion. While choosing the investment projects, folk capital prefer low threshold. It's a project with short payback period and low risk.

The features of Macmillan Gap and financing preference. The features of Macmillan Gap. Large capital demand. Both the expansion of production scale and innovation and transformation are inseparable from the demand for funds. The funding gap for SMEs has seriously affected its development. It is urgent to find a suitable approach to finance.

Large demand, low sum of capital. SMEs often do not have a complete financing plan. Thus, the demand for funds is usually more temporary and frequent. And the capital in demand is lower compared to larger enterprises.

The tendency of low financing costs. Obviously, the operating capacity of SMEs cannot be compared to that of large companies. In terms of financing, SMEs hope to find a financing channel with low cost and convenience. Therefore, they can more efficiently use the funds. On the other hand, it reduces the disguise financing costs.

Financing preferences. The features of SMEs and its operating features determine its financing preferences. Usually, SMEs do not have financing plan for the whole year. Their financing decisions are usually run with the management process. Thus, the financing of SMEs is generally temporary and repetitive. Therefore, SMEs prefer flexible and convenient financing channels. From the balance sheet of SMEs, we can find that the asset-liability ratio of SMEs is lower, and its current liabilities rate is higher, which indicates that the long-term borrowings and bank loans accounts for lower proportion of the capital of SMEs. And SMEs tend to have flexible short-term loan.

Analysis of R-squared. According to the survey in 2013, among the sources of funding for SMEs, the self-financing accounted for nearly 80% while folk finance only accounted for less than 10%. Most of the self-financing is raised from the acquaintances, relatives and those with similar relations. Most individuals' capital is limited. However, the number of individuals is larger. Obviously, it is quite important to make the best use of folk capital stock to solve the shortage of SMEs' funding.

The complementarities of folk capital and the financing gap of SMEs. In fact, the stock of folk capital is enormous and the majority of it is in inactivity or lacks a better investment channel. Thus, the residents have to make their capital deposited in the bank, waiting for better investment opportunities. For SMEs, it is undoubted that capital is very important. The funding gap may restrict their development. Therefore, in terms of supply and demand of funds, folk capital stock and Macmillan Gap are complementary. Folk capital can solve the shortage problem of financing for SMEs. And the vigorous development of SMEs may increase the stock of folk capital to some extent and promote the development of folk capital.

The advantages of folk capital on solving Macmillan Gap. Folk capital is flexible and convenient. Formal financial institutions, especially large state-owned banks, are institutionalized and programmed. Therefore, the inefficient way of formal financial institutions is inferior to the flexible and free folk capital. The SMEs always have temporary and frequent funding needs with low capital. Folk capital exactly fit the features of funding needs of SMEs, enriching the financing channels for SMEs and making their financing flexible. Convenient financing makes capital timelier. In this case, SMEs will not miss valuable investment opportunities and improve the utilization of funds in disguise reduce costs. Furthermore, the lending ways of folk capital are diversity. For dispersed and many SMEs, the lending is convenient and strongly optional. In addition, folk capital is geopolitical. During the long process of the exploration into SMEs and the communication with local people, folk capital is more familiar to corporate credit lending compared to traditional financial institutions. Therefore, the local holders of funds have the advantages of information collection, which is superior to banks and other institutions.

Profit - driven folk capital. In recent years, China's urban and rural residents' disposable income has been increasing, as well as the savings rate. Folk capital has also gradually increased. Although China's financial system is evolving, people's choices of investment channels remain low. For domestic depositors, both bank interest rate and income return are low; the stock investment is risky; the housing market requires certain available economic basis and the housing market has the feature of uncertainty. Borrowing rates of SMEs has great advantages while comparing to the banks. It is

much higher than bank deposit rates over the same period, and it has realized the marketization. The deposit rates can be also adjusted according to the market supply and demand situation. The information of folk capital lending is public. Thus, it is a rational choice for SMEs and the borrower. On the one hand, there are funding needs of SMEs. They need finance to develop themselves, make up the funding gap and operate business activities. On the other hand, there is a plenty of folk capital stock. The capital providers can obtain higher returns. It is a choice for both of them, which make folk capital lending more promising.

To effectively realize the correlation between folk capital and Macmillan Gap with the help of Internet finance

Since 2011, it is a period in which Internet finance develops its substantive financial business. Especially in 2015, Prime Minister Ke-qiang Li proposed the concept of "Internet + " and Internet greatly strides forward. The rapid development of Internet has accelerated the correlation between folk capital and SMEs, which effectively promotes the solution of Macmillan financing gap.

Third party payment platform of microcredit. The microfinance service of Alibaba's Ant Financial provides loan products with different yields and different maturities. It connects SMEs on the platform and provides them with financing channels. The microfinance service of Alibaba's Ant Financial focuses on SMEs. With the convenience of Internet, the microfinance service makes the best use of Internet and big data. And based on the accumulated credit, it will use cloud database to establish the initial credit system of SMEs, so that the enterprises can maximize their accumulated credit and gradually solve the problem of the missing data of SMEs' credit and create convenience for SME financing.

P2P network lending. P2P network lending is a form of direct financing. Since it uses online mode, the investors around the country can choose their own projects on the platform. The plenty of folk capital in the eastern regions can invest the projects in the western regions. This can greatly expand the geographic scope of transaction, which eases the regional capital differences, broadens the transaction of subjects and make more funds efficiently utilized. On P2P platforms, there are different companies, different periods, and different interest rates for different products. The active investors can freely choose their own investment products to make up the funding gap for SMEs, which also provides folk capital to a channel of benefit.

Crowdfunding. The current crowdfunding has two main forms. One is buying pattern while the other is investment pattern. Online crowdfunding projects can quickly help SMEs gain funds. The price of production with investment model is generally not high. And with its own products and prices, it can attract the investors. Its low risk also contributes to the investors' preferences. Crowdfunding more closely meets the demand of SMEs and provides a new and convenient financing channel for them and increases their original funding.

Internet banking provides SMEs with a good financing platform, so that more folk capital can participate in the business activities of SMEs and provide a more convenient way to solve the problem of funding gap. Internet banking is a way born with the social and economic development. It uses the Internet finance to make the folk financial capital public and standardized. Thus, the Internet can make the best use of folk capital stock and advance the development of Internet finance and the financing of SMEs.

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