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The Influence of Financial Marketization and Direct Financing on the Credit of Listed SMEs

You Chang
International Business School, Shaanxi Normal University
Xi'an, Shaanxi 710119
15291857751@163.com

***Abstract*—This paper discusses the impact of financial marketization and direct financing on listed SME Credit in the New OTC (Over the Counter) Market and clarifies the "promotion effect" of financial marketization on corporate credit, the "crowding-out effect" of direct financing on corporate credit, and the cross-impact influence on the credit of listed SMEs. The results show the following results: 1) High degree of financial marketization promotes the credit of local listed companies. 2) The direct financing behavior of the listed companies has reduced the credit financing of the company. 3) The "cross-impact" of the combination of high regional financial marketization and low-enterprise direct financing on the listed company's credit is stronger than its role in promoting corporate credit.**

Keywords—New OTC (Over the Counter) Market; Financial Marketization; Direct financing; Technological SMEs; Credit

I. INTRODUCTION

The development of science and technology is the national prosperity, the strong science and technology is the national strength. In the course of realizing China's scientific and technological dream of building a strong country, it is naturally inseparable from the support of the majority of science and technology-based SMEs. However, for a long time China's SMEs are faced with difficulties in financing and expensive financing, and the establishment of the "new three board" market is a major strategic measure to solve the financing problems of Chinese enterprises, especially small and medium-sized SMEs. It is undeniable that during the initial stage of the establishment of the "new three board", it has indeed achieved great success in promoting the financing of listed companies. It is undeniable that during the initial stage of the establishment of the "new three board", it has indeed achieved great success in promoting the financing of listed companies. However, in the course of this development, there are still many problems with the "new three board" in promoting the financing of listed companies. In the previous discussion on the role of "new three board" financing, most of them focused on the concept statement, related systems, and corporate financing efficiency, and mainly targeted at direct financing. However, as regards the research on the impact of the "new three board" on the credit financing of listed companies, this is generally ignored as an important way for companies to solve the financing difficulties. Therefore, this research innovatively proposes that the two important factors of regional financial marketization and direct financing are how to influence the "new three board" technology-based SME credit, and the "cross-effect" of the two on credit. In this way, on the one hand, it will provide new insights for improving the financing capacity of the listed "new three board" technology-based SMEs; on the other hand, it will provide reference for the improvement of the "new three boards" system.

II. LITERATURE REVIEW

Peterson and Rajan pointed out that there are many reasons for SMEs' financing difficulties, including the non-standard development of enterprises, their small scale, their lack of profitability, and their ability to withstand risks [1]. Berger and Udell studied some of the reasons for the difficulties of SME loans, including non-standard corporate management operations, poor corporate information transparency, small-scale enterprises and weak profitability. These factors have resulted in the weak mortgage guarantee capability of SMEs and increased information asymmetry between banks and enterprises, which has led to an increase in the risk of SME loans and hindered the financing of enterprises [2]. Chinese scholars also study the influencing factors of credit financing for SMEs. Wang Minghu et al. pointed out that compared with eastern and central and western China, the proportion of credit financing and bank loan interest rates in the eastern region were relatively high. However, with regard to the proportion of credit financing and loan interest rates between the eastern region and the central region, the gap between economic development is gradually narrowing [3]. Liu Bing et al. and Li yougen conducted relevant research on the influencing factors of credit financing for SMEs, and pointed out that there are widespread problems in SMEs such as inadequate management, inadequate systems, lack of effective guarantees and collaterals, and poor corporate reputation [4-5]. It is difficult to meet the financing conditions required by financial institutions, which has led to financing difficulties for SMEs.

III. Financial Marketization, Direct Financing and Listing of New OTC Technology-based SME Credit

A. The effect of regional financial marketization on the credit of listed companies

Love believes that for small and medium-sized enterprises, the financing constraints of small and medium-sized enterprises will decrease as the degree of financial marketization in their regions increases, but the changes in financing constraints of large enterprises in this process are not obvious [6]. Studies by Chinese scholars, Shen Hongbo et al. have shown that the degree of regional marketization, the degree of financial marketization, and the degree of financial linkage among the relevant factors that affect the debt financing of listed companies are very important factors [7]. It can be seen that the academia's understanding of the impact of financial marketization on corporate credit financing is relatively uniform, and they generally believe that a high level of regional financial marketization will provide some help for the convenience of local corporate credit financing.

The level of regional financial marketization will have a certain impact on the supply and demand of credit, and thus have an impact on the transaction costs and timing of corporate credit. In regions with a high level of financial marketization, there are many financial institutions such as banks, and there are plenty of competition. The bank's credit decisions are relatively independent, and banks tend to be more proactive when it comes to completing their business. Therefore, this will have a positive impact on the financing, transaction costs and time of the company. In areas where the degree of financial industry is less marketized, banks and other financial institutions tend to be more traditional, more inclined to large-scale formal enterprises, do not pay attention to small businesses, and have low approval efficiency and slow speed. This has increased the cost of corporate credit financing and extended the approval time. Obviously, financial development can affect economic growth and output through micro-channels. The increase in the level of financial development can reduce corporate financing costs, reduce corporate financing constraints, and increase corporate R&D investment, thus affecting economic growth. It can be concluded that the higher degree of regional financial marketization can better promote the credit financing of listed companies.

B. The Effect of Direct Corporate Financing on the Credit of Listed Enterprises

Listed "new three board" technology-based SMEs can solve the financial difficulties faced by companies through equity financing and debt financing. Among them, equity financing methods mainly include: private placement and issuance of SME private placement bonds; debt financing methods mainly include: equity pledge and credit financing methods. Among them, the equity pledge of a listed company is an act that the listed company mortgages part of its equity to a financial institution such as a bank for financing. Such financing is still carried out by way of bank mortgage, and the bank's lending method is still in the form of borrowing. Therefore, the debt financing method of the technology-based SMEs that is essentially listed on the "new three board" is mainly the mortgage loans to banks. Research on the impact of credit financing of listed companies on direct financing : Zhou Ziyuan studied the impact of direct corporate financing on commercial bank loan business based on the information disclosed by listed companies in Yunnan Province. The research results show that with the development of the capital market, the direct financing amount of Yunnan enterprises has shown an upward trend, and the proportion of bank loans in the debt financing amount of these enterprises and the total amount of corporate financing has shown a downward trend. The "crowd-out effect" of direct financing on bank loans appears [8]. It can thus be seen that under a certain amount of financing demand, the direct financing of the company will form a certain degree of squeeze out of the credit financing of the company, showing a certain course of progress.

C. The Degree of Financial Marketization and the Cross-Cutting Effect of Direct Financing on the Credit Financing of Listed SMEs for New OTC Technology

(1) Promotion effect. Based on previous studies, they proposed that the improvement of the degree of regional financial marketization will promote the credit financing of enterprises. In other words, while the development of regional financial marketization is perfect, corporate credit financing constraints will be reduced, and the scale of corporate credit and availability of credit will also increase. Of course, this increase in credit financing is not endless, but it gradually weakens as the degree of financial marketization increases, and eventually it tends to be a stable state. In other words, the degree of financial marketization has played a logarithmic function to promote credit. As shown in (1) in Figure 1, Curve A, in the process of changing the level of regional financial marketization from low to high, corporate credit will also show a corresponding increase, but the growth rate will gradually decrease.

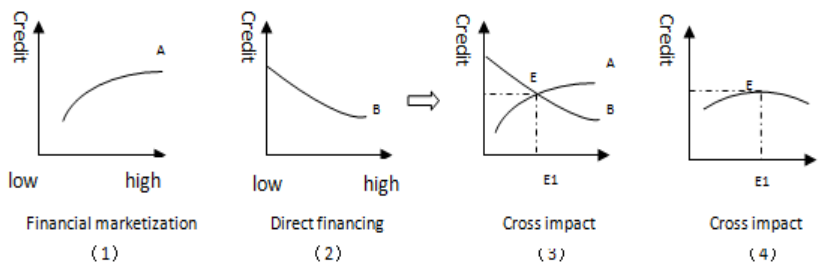

Fig. 1 Cross effect

(2) Extrusion effect. Based on past research, the direct financing of enterprises has a certain “crowding-out effect” on corporate credit. In other words, with a certain amount of capital demand, enterprises will form a certain degree of squeeze on the credit financing of enterprises as the direct financing of enterprises increases. That is, the occurrence of direct financing by enterprises will inevitably squeeze some of the space for credit financing. However, this "crowding-out effect" also has a certain scope, and it is not unlimited to eliminate all corporate credit requirements. Because the company's direct financing is often more lasting and meets the company's business strategy needs; corporate credit financing is more inclined to short-term liquidity loans to address the daily business needs of enterprises, which determines the relative relationship between them. Therefore, as the direct financing of enterprises increases, corporate credit financing does not always decrease, but rather maintains a relatively stable state at a certain level. Similarly, when corporate direct financing is zero, corporate credit financing is also maintained at a relatively fixed level.

(3) Cross effects. From the above analysis, in the development process of regional financial marketization from low to high, corporate credit financing shows a certain growth trend, but the growth is limited. In the process of changes in corporate direct financing from weak to strong, corporate credit financing has shown a certain downward trend, but the decline is limited. Then, under the cross-cutting influence of two factors, financial market level and direct financing, on corporate credit financing, an intersection E will surely appear in (3) in Figure 1. This point indicates that the optimal promotion of corporate credit financing under the influence of the degree of financial marketization in certain regions and the direct influence of corporate direct financing is reflected in the highest point E in (4) in Figure 1. Or rather, the credit promotion of the company under the condition of the financial marketization and direct financing at point E is better than that at the point E.

Based on the above analysis, we found that under the influence of the two factors of financial marketization and direct financing, there are some companies that have a two-factor cross-cutting effect on the promotion of corporate credit than other companies. Further in-depth analysis shows that for some enterprises, where the degree of financial marketization is high, the direct financing is weak. Then, the cross effects of these two factors are stronger for the promotion of credit financing than those in the low financial markets and the enterprises with higher direct financing.

IV. CONCLUSION

Based on the analysis results of this study and the development status of the “new three board” market in recent years, we put forward the following suggestions and opinions:

(1) For policy makers: To understand that the "new three board" market cannot solve the financing difficulties of SMEs, they cannot simply rely on the "new three board" direct financing promotion function or the indirect financing promotion function. A two-pronged, multi-pronged direct and indirect financing approach should be considered to solve the SME financing problem. Therefore, continue to improve China's financial system and improve the "new three board" related system; while advocating listed companies to take full advantage of the advantages of direct financing to solve corporate financial difficulties, while not abandon the "new three board" to provide new indirect financing opportunities for listed companies. Double measures are fundamental to solving the financing problems of listed companies.

(2) For listed companies: Make full use of the opportunities provided by the “new three board” market to the company. From the corporate system design and management's ideological and attentive attitudes, we must fully grasp the convenience of financing provided by the “new three board” market to enterprises. That is to say, from the direct financing channels, more indirect credit channels can effectively solve the financing difficulties of enterprises. In addition, the technology-based SMEs listed on the “new three board” must consider how much direct financing is needed to solve the company’s fund difficulties in a certain financial market environment, so that they can better leverage corporate credit financing. So that the rapid development of enterprises, as soon as possible bigger and stronger for the benefit of society.

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