

## Research on Financing Management of Hengda Company

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**Abstract:** This article attempts through the case study of Hengda company real estate financing management, found that small and medium-sized enterprise financing management, mining management at the root of the problem of financing, financing for the enterprise management rationalization proposals and measures are put forward, hope can effectively strengthen the enterprise financing management, thereby reducing the difficulty of financing.

**Keywords:** Financing management, financing problems, financing strategy

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### I. INTRODUCTION

Due to the output is small, the rate of technical equipment is low and a lot of resources are not controlled, making the small and medium-sized enterprise have a serious shortage of funds, financing difficulties, it has become the biggest obstacle to a steady progress of small and medium-sized enterprise, domestic and foreign scholars and financial practitioners have made broad discussion and research.

Linyifu think that, due to the different elements in different countries have different characteristics, structure of factor endowments of different countries should choose different combinations, Small and medium-sized enterprises may play a different role in different countries [1]. Zhangjie pointed out that endogenous financing is only applicable to start-up stage of private enterprises, when development demanding for higher technology and more intensive capital, enterprise requires exogenous financing mechanism, how to establish the exogenous financing system at the same time not to damage the private economy of endogenous financing mechanism is the crux of the problem [2]. Huxiaoping thinks that the enterprise financing changes with its own development and the choice of the financing channels by rely mainly on internal finance to external financing and internal financing is a process of alternating [3].

Sanchez-Medina argue that the government should provide financing guarantee for small and medium-sized enterprises in a number of ways, the government's credit guarantee measures can alleviate the pressure of the funds to help small and medium enterprises more than direct to provide loans, under the government's credit guarantee, more access to bank loans for small and medium-sized enterprises [4]. Austin, N, Nosike argued that in accord with their

level of risk of interest rates on loans, Enterprises are facing difficulties, their financing sources are mainly endogenous, including family, suppliers, and those with repeat business and enterprises manufacturers [5].

### II. HENGDA FINANCING MANAGEMENT STATUS

Hengda Real State Decoration Agency Co. Ltd., founded in 1995 as a private enterprise, has strong economic strength and good social reputation. It is a general service company and specializes in real estate agent business, which includes house selling and leasing, real estate agent and mortgage loan, etc.

Table 1.Hengda in recent years to retain the total profit and financing situation

Time	Retained profit (ten thousand yuan)	Total financing (ten thousand yuan)
2013	5,468,789	7,338,691.58
2014	4,625,720	6,869,191.88
2015	8,425,810	16,437,302.51
2016	10,024,603	19,698,568.79

Note: The data comes from Hengda 2013-2016 Statement of Changes in Owners' Equity

#### A. Endogenous financing

According to the Hengda enterprise profit distribution analysis, the enterprise to the vast majority of retained profits remain in the enterprise as a development fund.

It can be seen that the overall trend of profit retention as a proportion of total financing is declining in 2013-2016, indicating that there is a decrease in the dependence of Hengda on retained profits, but the share of retained profits in the past few years is still close to 40% %, Can be seen, most of the source of funds or rely on their own business.

**B. Foreign financing**

Hengda in the course of daily business can be used directly financing only commercial credit. Companies often use commercial credit to provide support for the company's cash flow, mainly in the company to use accounts payable to ease the company's short-term cash flow difficulties.

Table 2 Hengda in recent years, a list of commercial credit financing

Note: The data comes from Hengda Company's 2013-2016 balance sheet and the financial statements

It can be seen that the proportion of commercial credit raising funds in the total annual financing is

Time	Accounts payable (yuan)	Total financing (yuan)
2013	189,349	7,338,701.32
2014	296,751	6,869,192.73
2015	950,072	16,437,214.55
2016	1,568,016	19,698,577.79

increasing year by year, but the increase is very small and has little effect on the company. Hengda is mainly dependent on private lending and bank loans two indirect financing channels for financing, this financing channels, although easy to operate, but the number of financing is very small.

Table 3 Hengda indirect financing situation table

Time	Private lending	Bank loan	Other informal financing	Indirect financing
2013	1,046,497	299,418	334,645	1,680,560
2014	1,115,556	567,395	263,778	1,946,728
2015	5,608,373	1,203,203	249,846	7,061,422
2016	3,567,410	3,271,931	1,266,619	8,105,960

Note: The data comes from Hengda Company 2013-2016 Balance Sheet Note

Table 4 List of major financing methods for Hengda in 2016

The nature of financing		Amount of financing	ratio (%)	
Endogenous financing		10,024,602	50.89	
Foreign financing	Direct financing	1,568,011	7.96	
	Indirect financing	Commercial credit	3,271,929	16.61
		Private lending	3,567,426	18.11
		Other informal financing	1,266,621.8	6.43

This shows that the vast majority of Hengda company funds from the accumulation of internal enterprises, only a small part of the funds rely on bank loans and private lending, and other financing less.

Hengda in recent years rely on private lending, bank loans and other informal financing also raised a certain amount of funds. However, these three financing methods which are accounted for a significant proportion of private financing, bank loans followed by other non-formal financing at least.

Indicating that the company's main indirect financing channels are private lending and bank loans.

Based on the above analysis, we can get the proportion of Hengda's various financing methods in the total amount of corporate financing in 2016.

**III. THE MAIN PROBLEMS AND CAUSES OF THE FINANCING MANAGEMENT IN HENGDA COMPANY**

**A. Narrow financing channels**

Hengda company's main financing is still self-financing and private lending, this narrow financing channels not only exacerbated the contradiction between supply and demand of funds, paying higher financing costs, but the company's capital chain gap problems and contradictions are increasingly highlighted. According to the 2016 survey of financing data, in Hangda company the 50.89% of the funds are from the enterprise self, the remaining 16.61% and 18.11% are from the bank and private lending.

Table 5 Bank of hengda loan application processing

Enterprise scale (people)	Less than 300	300-500	500-800	More than 800
Refused to number (%)	72.17	66.69	47.47	35.69
Bank loan ratio (%)	5.7	20.8	25.2	26.9
Enterprise age (years)	Less than 3	3 to 5	6 to 7	More than 7
Refused to number (%)	83.55	78.16	56.34	45.02
Bank loan ratio (%)	1.3	5.4	19.6	26.5

Note: data from hengda financing status TAB

It can be seen that at the beginning of the establishment of Hengda because of the small scale, the bank refused many times its loan application. Until the scale of the company has gradually expanded, and the operating conditions has improved, the bank's assessment of SME loans application standards is slightly reduced, but Hengda believe that the basic situation of financing has not changed. The fundamental reason for this phenomenon is the bank don't focus too much on SME loans in a long time, and loans often require collateral. Hengda because of its own stage of development, it is difficult to come up with the appropriate loans collateral, and bank loans in the collateral discount is higher, expensive, the company is unbearable [6].

**B. Imbalance of capital supply and demand**

Hengda company on a large demand for funds, the funding gap is serious, because the company is now moving towards a diversified development path, need a lot of money to turn around, but only relying on the company's current financing channels and financing amount is not enough. We can see Hengda funds

demand is quite strong, but the company's financial needs to meet the satisfaction is not very high.

### C. High cost of financing

The cost of Hengda company rely on bank loans and the private financing is quite high. Because the company as a general SMEs to obtain loans from the bank than the large enterprises to pay more than 30%-40% of the cost, which undoubtedly makes Hengda from the bank to obtain loans added a difficult. [6]. The high cost of private financing exceeds the sustainability of Hangda, although private lending is much easier than bank lending, it is at the expense of higher financing costs, and some of the private financing is 2-3 times higher than the interest on bank loans [7].

### D. High risk of financing

Hengda's financing process is biased towards informal financing, but the rate of informal financing is very high and the volatility is very large compared to formal financing, and mostly for private lending to obtain, almost no any guarantee procedures.

## IV. MEASURES FOR THE FINANCING MANAGEMENT OF HENGDA COMPANY

### A. Efforts to broaden the financing channels

To improve the current financing channels of the current situation, Hangda should respond to the needs of enterprises in advance, and make a reasonable plan for the introduction of the government for small and medium enterprises of the preferential policies and tax relief more attention [8]. At the same time, Hengda should establish a good bank-enterprise relationship with banks, enterprises should pay close attention to the bank on the financing of the new policy [9].

### B. Improving the company's internal control system

Hengda should through the financing management standard financial accounting, improve the internal control system. Through the system construction to regulate the business behavior, thus eliminating the false statements, false contracts and other events to ensure that the integrity of financial information, authenticity and accuracy.

### C. Improving the company's own credit

Hengda and banks should establish a good relationship between banks and enterprises, regularly to the bank to provide the company's operating results and financial situation, making the company's information transparency, and enhancing the bank's confidence in lending to enterprises. In addition, enterprises must strictly abide by the bank and other financial institutions financing requirements,

repayment of each loan principal and interest timely for the smooth financing of enterprises to fully prepare [10].

### D. Focusing on government policies and seize financing opportunities

Hengda in the development process should be actively concerned about the government's preferential policies for SMEs, and strive to seize the opportunity of development. Although the government's laws and regulations on SME financing are not sound, the government is gradually perfecting policies that can help SMEs to reduce their costs and reduce their lending risk.

## V. CONCLUSIONS

Hengda financing management case shows that there are many reasons for SME financing difficulties, mainly because of the enterprise's own reasons, which led to the SME's difficult to meet the bank's financing conditions, hoping to be able to the SMEs themselves in the future growth of great help.

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