



Improving Access to Finance for MSMEs: Evidence from China

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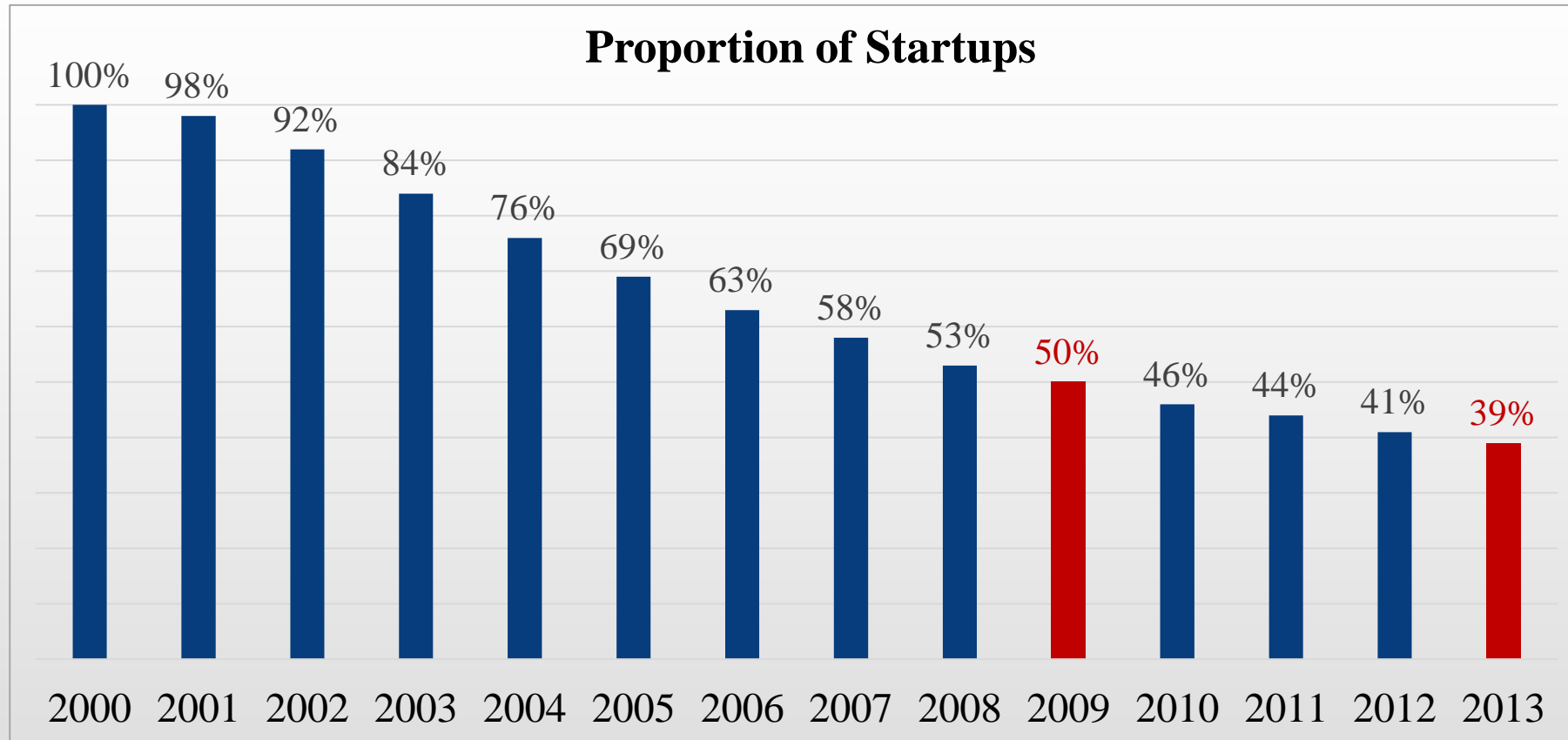
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The Mission of the Enterprise——**Survive.**

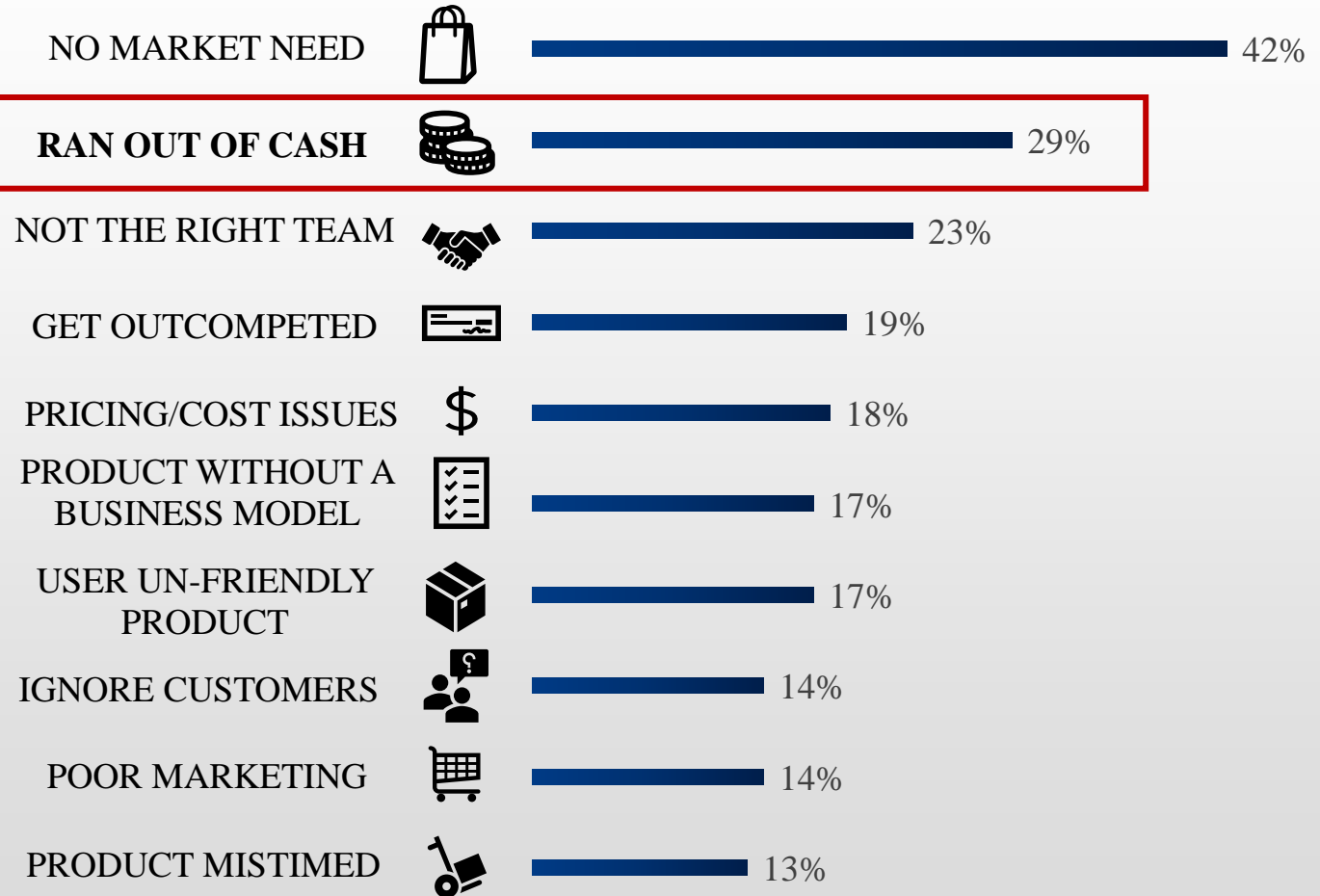


- **Notes:** This table shows the statistical result of 13.23 million startups established in 2000.
- **Source:** SAIC 《National Domestic Enterprise Survival Time Analysis Report》

Why Do Enterprises **Fail**?

- **Lack of DEMAND**
- **Lack of MONEY**
- **Lack of TALENTS**

TOP 20 REASONS STARTUPS FAIL

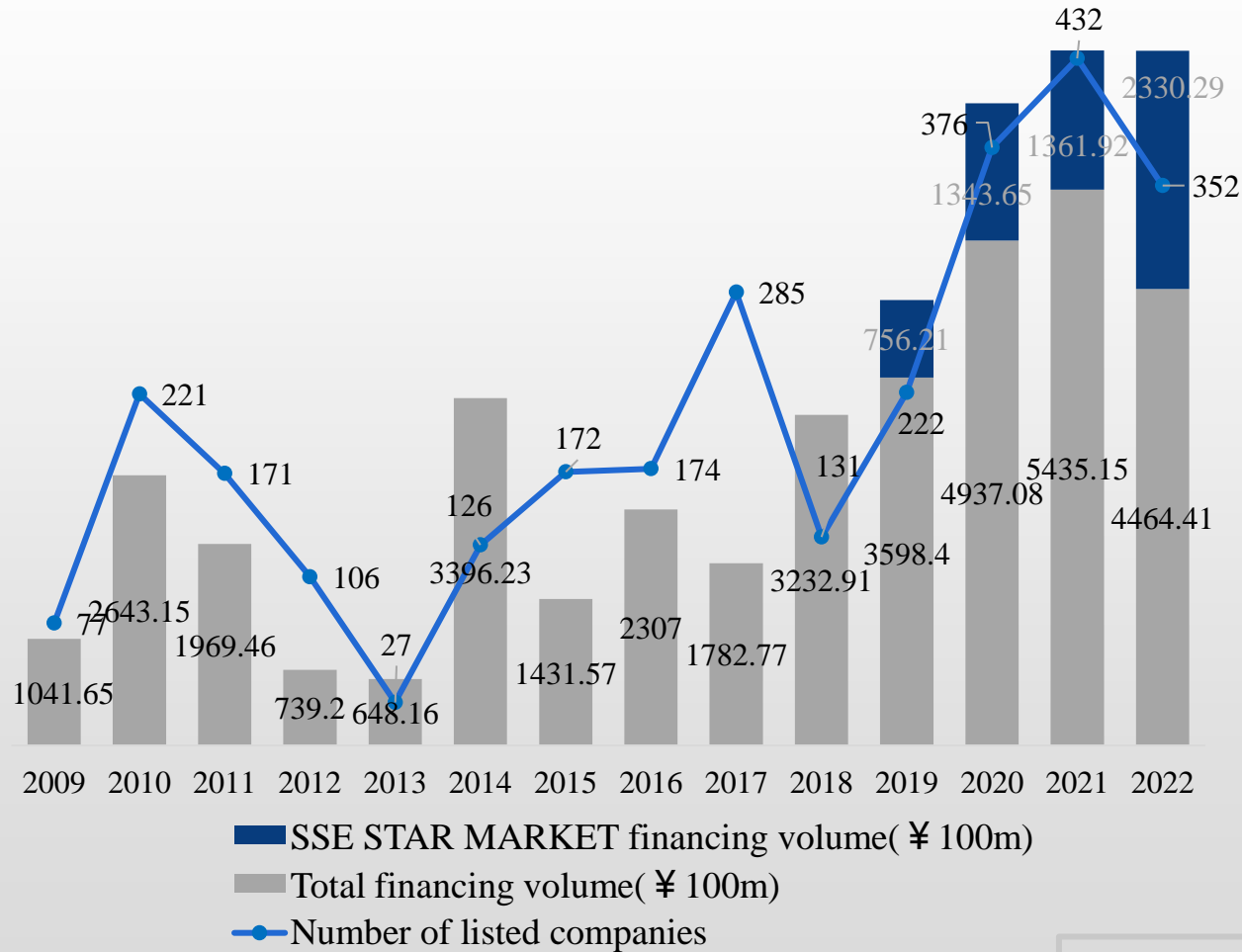


Notes: Based on analysis of 101 startup

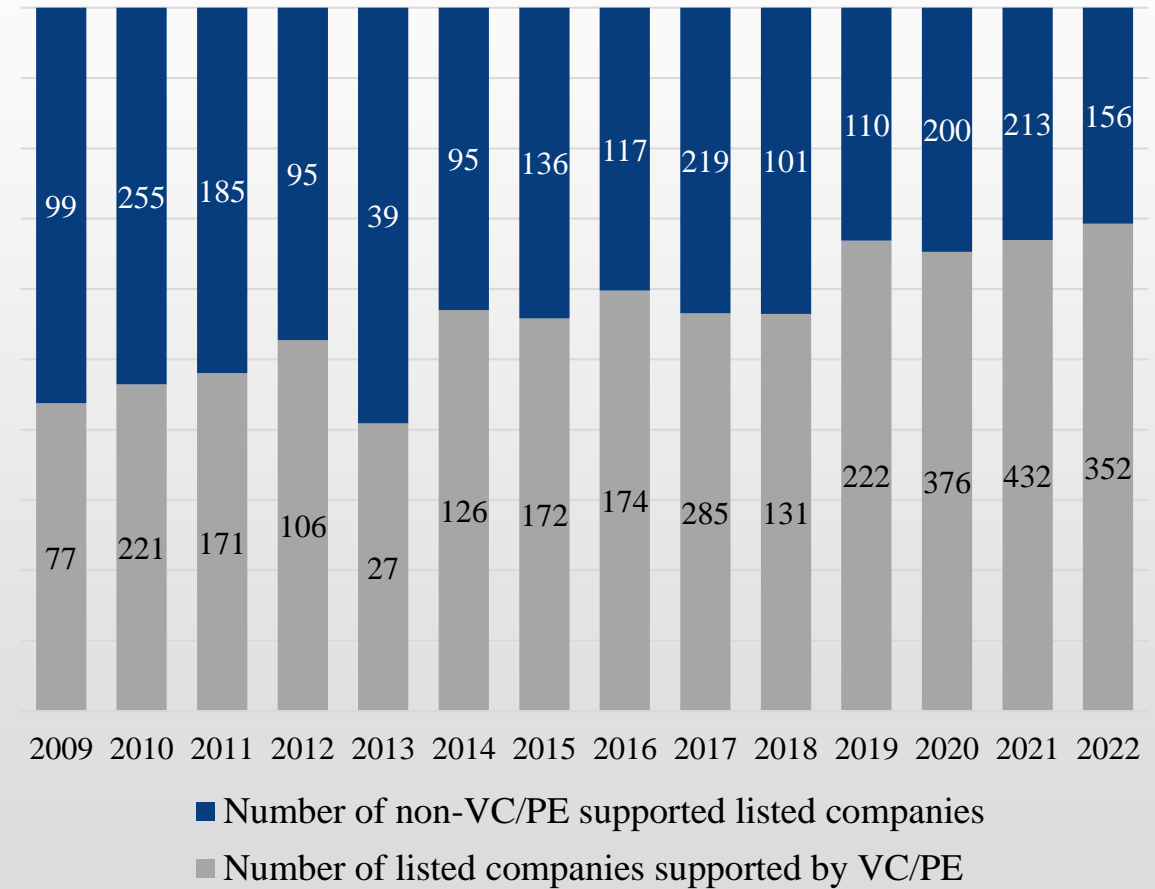
Source: CBINSIGHTS 《The Top 20 Reasons Startups Fail》, Nov. 2022

Access 1: VC/PE

Number and Financing Volume of Chinese Enterprises Supported by VC/PE in 2009-2022



Number of IPO Supported by VC/PE in 2009-2022

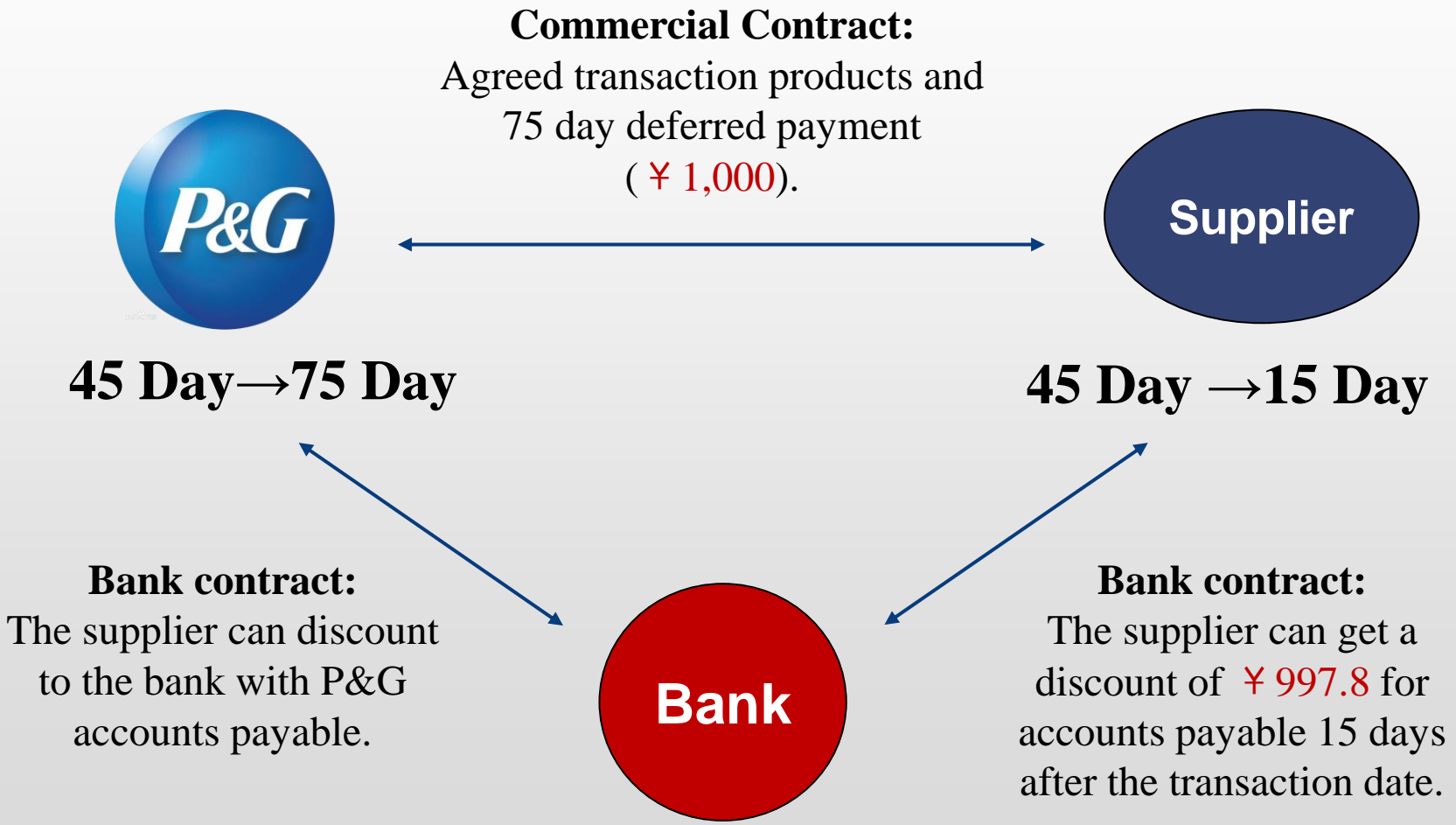


Source: Zero2IPO Research Center

• **508** companies went public, and **352** companies were invested by VC/PE, accounting for **69.3%**.

Access 2: Supply Chain Financing

P&G Supply Chain Finance Program



Access 2: Supply Chain Financing

P&G Supply Chain Finance Program VS. Bank Loan

Project	Bank Loan	Supply Chain Finance
P&G's accounts receivable from suppliers	¥ 1000	¥ 1000
Supplier's actual payment cycle	75 Day	15 Day
Number of days that suppliers need additional financing	60 Day	0 Day
The cost of additional financing for suppliers (assuming the loan interest rate is 3.5%/ year)	¥ 5.8	¥ 0
Bank discount rate (60 Days)		0.22% (60 Day) 1.34% (1 Year)
The actual amount received by the supplier	¥ 994.2	¥ 997.8

Access 3: Asset Backed Security (ABS)

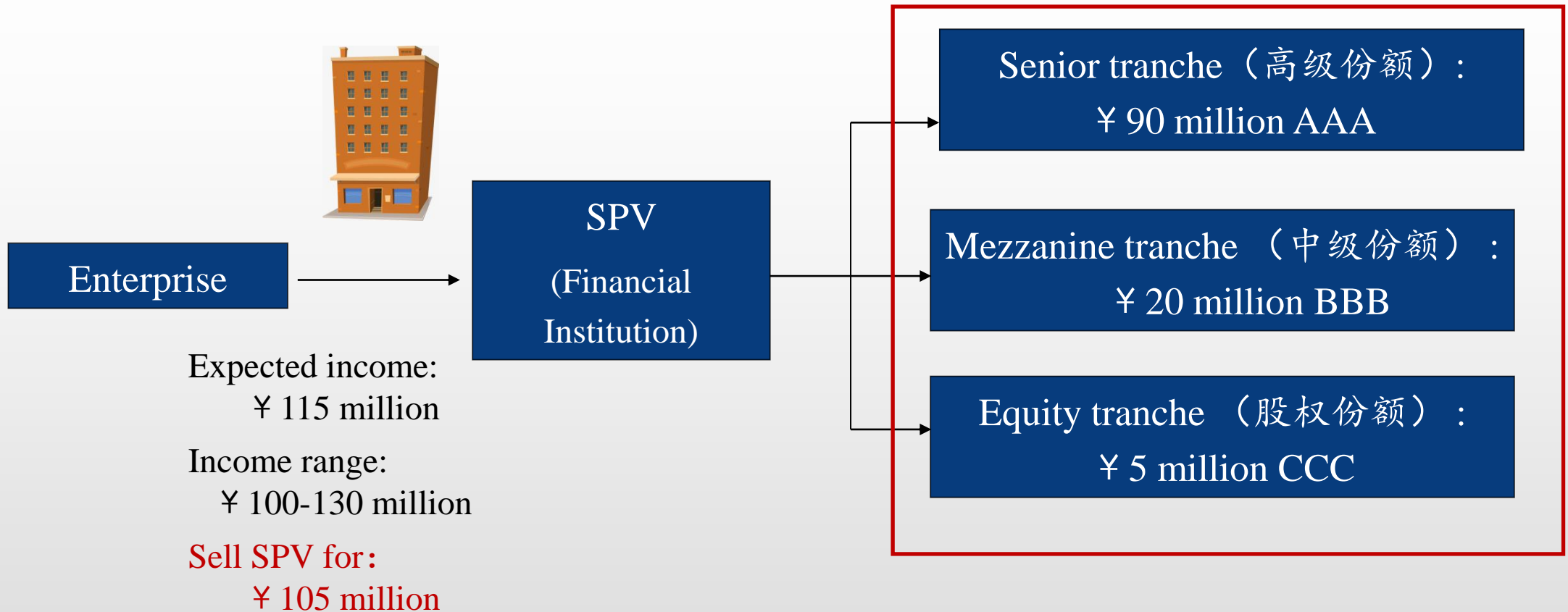
By issuing ABS products, Country Garden gets the consideration for the final payment of basic assets **at one time**, and obtain the capital that would have been withdrawn for a long time, which greatly reduces the pressure of payment collection and guarantees the subsequent development.

Name of issuing subsidiary	Zengcheng Garden Property Development Company Limited				Country Garden(Fujian) Real Estate Development Company Limited			
Bond code	131991.SH	131992.SH	131993.SH	131994.SH	142147.SH	142148.SH	142149.SH	142150.SH
Bond name	Country Garden A	Country Garden B	Country Garden C	CG subordinated debt	Fu Country Garden A1	Fu Country Garden A2	Fu Country Garden B	Fu CG subordinated debt
Ratings (CCXI)	AAA	AA+	AA+	-	AAA	AAA	AA+	-
Issue scale (ten thousand)	405,000	20,000	20,000	35,000	39,000	54,000	41,000	7,100
Proportion (%)	84.38	4.17	4.17	7.29	27.64	38.27	29.06	5.03
Duration (year)	2	2	2	2	1	2	2	2
Expected return	4.50%	5.65%	5.80%	-	4.50%	5.00%	6.00%	-
Current coupon	4.5	5.65	5.8	0	4.5	5	6	0
Interest payment frequency	Semi-annual			-	-	Annual		-
Credit support	15.63	7.29	7.29	0	34.09	34.09	5.03	0

SPV: Yinhua Capital Management Ltd

SPV: Ping An Securities Ltd

Access 3: Asset Backed Security (ABS)



- Repayment order: AAA—BBB—CCC
- Suppose the return is only ¥ 108 million:
AAA: ¥ 90 million、 BBB: ¥ 18 million、 CCC:0
- CCC-rated bonds are hard to sell and are mainly held by issuers.

Access 4: Registration-based IPO

- **Second Board:**

Growth innovative start-up enterprises, with **two highs (high-tech and high growth)** and **six news (new economy, new services, new agriculture, new energy, new materials, and new business models)**, the scale threshold is about half of the scale threshold of small and medium-sized board enterprises.

- **Beijing Stock Exchange:**

It mainly serves innovative small and medium-sized enterprises, focuses on supporting enterprises in the fields of advanced manufacturing and modern service industry, and promotes the transformation and upgrading of traditional industries.

- **Science and Technology Innovation Board:**

New generation of information technology, high-end equipment, new materials, new energy, energy conservation and environmental protection, biomedicine and other high-tech industries and strategic emerging industries. It will **restrict fintech and model innovation enterprises, and prohibit real estate and companies mainly engaged in finance and investment** from going public.

Access 4: Science and Technology Innovation Board Listing Standards

Details	Specific Requirements
Standard I	The estimated market value is no less than ¥ 1 billion, the net profit in the last two years is positive and the accumulated net profit is no less than ¥ 50 million (25 million/year), or the net profit in the last year is positive and <u>the operating income is no less than ¥ 100 million</u> . (Profit, income)
Standard II	The estimated market value is no less than ¥ 1.5 billion, the operating income in the latest year is no less than <u>¥ 200 million</u> , and the accumulated R&D investment in the last three years accounts for no less than 15% of the accumulated operating income in the last three years. (Income, R&D investment)
Standard III	The estimated market value is no less than ¥ 2 billion, the operating income in the latest year is no less than ¥ 300 million, and the accumulated net cash flow from operating activities in the last three years is no less than ¥ 100 million. (Income, cash flow)
Standard IV	The estimated market value is no less than ¥ 3 billion, and the operating income in the latest year is no less than ¥ 300 million. (Income)
Standard V	The estimated market value is no less than ¥ 4 billion, and the main business or products need to be approved by the relevant state departments. The market space is large, and the phased results have been achieved. Enterprises in the pharmaceutical industry need to have at least one core product approved for the second phase of clinical trials, and other enterprises that meet the requirements need to have obvious technical advantages and meet the corresponding conditions. (R&D achievements)

Indicator	Estimated Market Value	Net Profit	Cash Flow	Income	R&Ds
Mainboard		3 years net profit + 3 years accumulated net profit \geq ¥ 150m 1 year net profit \geq ¥ 60m	3 years NCFO \geq ¥ 100m	or 1 year \geq ¥ 1b	
	\geq ¥ 5b	1 year net profit +	3 years NCFO \geq ¥ 150m	1 year \geq ¥ 600 m	
	\geq ¥ 8b	1 year net profit +		1 year \geq ¥ 800 m	
SSE STAR MARKET	\geq ¥ 1b	2 years net profit + 2 years accumulated net profit \geq ¥ 50m		or 1 year \geq ¥ 100 m	
	\geq ¥ 1.5b			2 years \geq ¥ 200 m	3 years R&D/ income \geq 15%
	\geq ¥ 2b		3 years NCFO \geq ¥ 100m	1 year \geq ¥ 300 m	
	\geq ¥ 3b			1 year \geq ¥ 300 m	
	\geq ¥ 4b				Technology meets the standard.
Second Board		2 years net profit + accumulated net profit \geq ¥ 50m			
	\geq ¥ 1b	1 year net profit +		1 year \geq ¥ 100 m	
	\geq ¥ 5b			1 year \geq ¥ 300 m	
BSE	\geq ¥ 200m	2 years net profit \geq ¥ 15m & ROE \geq 8% or 1 year net profit \geq ¥ 25m & ROE \geq 8%			
	\geq ¥ 400m		1 year NCFO +	2 years \geq ¥ 100 m 1 year growth rate \geq 30%	
	\geq ¥ 800m			1 year \geq ¥ 200 m	2 years R&D/ income \geq 8%
	\geq ¥ 1.5b				2 years R&D \geq ¥ 50 m

The enterprise needs to meet the following four indicators:

- 3 years R&D/income $\geq 5\%$
or 3 years accumulated R&D investment $\geq \text{¥} 60\text{m}$
- R&D personnel proportion $\geq 10\%$
- Invention patents ≥ 5
- 3 years compound growth rate of income $\geq 20\%$
or 1 year income $\geq \text{¥} 300\text{m}$

Or the enterprise needs to meet one of the following conditions:

- The core technology has the **leading role** in the world or is of **great significance** to the national strategy.
- Have **the National Natural Science Awards, the National S&T Progress Awards and the National Technology Invention Awards**
- Undertake major national science and technology special projects
- The main products (services) have achieved **import substitution**.
- Invention patents ≥ 50

The enterprise needs to meet one of the following conditions:

- 3 years compound growth rate of R&D investment $\geq 15\%$
and 1 year R&D investment $\geq \text{¥} 10\text{m}$
and 3 years compound growth rate of income $\geq 20\%$
- 3 years accumulated R&D investment $\geq \text{¥} 50\text{m}$
and 3 years compound growth rate of income $\geq 20\%$
- Belong to the field of modern industrial systems
and 3 years compound growth rate of income $\geq 30\%$