

# ***Financing Dilemma and Optimization Strategies of High-Tech Enterprises***

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**Abstract:** In recent years, China's economic market has been developing rapidly and the number of enterprises has been increasing. However, the development of enterprises needs to rely on the support of capital, due to the high financing threshold of the capital market, ordinary commercial banks and private financial institutions can not fully meet the capital needs of all enterprises in the market. This has, to a certain extent, exacerbated the phenomenon of capital bottlenecks and stagnant development faced by Chinese enterprises, and many even went bankrupt due to poor capital turnover. This paper combines the views and conclusions put forward by a number of professional articles to analyze the status quo and predicament of the company's financing. It is found that high-tech enterprises have problems such as less application of financing methods, high financing costs and unreasonable financing structures. By optimizing the financing structure, improving the company's credit level to expand financing methods, and reducing financing costs, the government has introduced helping policies and other optimization strategies that can promote the healthy and stable development of high-tech enterprises.

**Keywords:** High-tech enterprise, Financing structure, Financing cost, Strategy

## **1. Introduction**

Funding is the key to the operation of enterprises, and this is especially true for capital-intensive and technology-intensive high-tech enterprises. With the continuous development and maturity of China's financial market, the channels for enterprises to obtain financing in the financial market in China have gradually become diversified. At the same time, China's capital market is also gradually growing, for China's enterprise development to provide greater help. However, for many high-tech manufacturing enterprises, their development process is too long and characterized by high investment and high risk. This makes the financing process more difficult, which hinders the further development of high-tech manufacturing enterprises. Small and medium-sized high-tech enterprises face more serious financing problems, the current threshold of China's capital market is higher, small and medium-sized enterprises due to insufficient financial strength, lower credit level, access to capital is less, the financing period is correspondingly shorter, can not fully meet the needs of enterprise development, which seriously affects the development of enterprises. Such an unreasonable financing structure will further lead to financial difficulties for enterprises. In order to explore the above phenomenon, this paper takes high-tech listed companies as the research object, conducts theoretical analysis, draws conclusions and puts forward relevant solution strategies.

By analyzing the financing structure and financing methods, this paper puts forward the experiences that high-tech enterprises can learn from, high-tech enterprises can optimize the financing structure, broaden the financing channels, make full use of China's financing system, and the government at all levels should strengthen the support to systematically guarantee the financing of high and new technology enterprises.

## **2. Status of Financing for High-Tech Enterprises**

### **2.1. Financing Methods**

With the continuous improvement of China's financial market, financing methods began to diversify from single to diversified development, at present, under the framework of China's high-tech enterprise financing system, the main financing methods include commercial bank loans, policy loans from development banks, bond issuance, stock issuance and venture capital [1]. Most enterprises still tend to use the more traditional financing methods for financing, mainly relying on bank loans and stock financing.

Credit is the main financing method and channel for enterprises, especially small and medium-sized enterprises. In a market economy, financing through bank credit also involves certain risks. These risks include but are not limited to, the risk of exchange rate changes, the risk of interest rate changes, the credit risk and the risk of improper sources of funds. On the other hand, stock financing risk refers to some uncertainties that the enterprise may face in the process of financing through the issuance of stocks, which may lead to a certain decline in the stock price, thus making the enterprise face financing difficulties or losses.

### **2.2. Financing Structure**

The financing mode and financing structure of high-tech enterprises are mainly affected by the difficulty of financing and the irrationality of the structure, and the irrational structure can easily lead to the enterprise financing strategy not being optimized. High-tech enterprises want to obtain funds through direct financing and equity financing is relatively difficult, the main reason is that high-tech enterprises through the internal mobilization of funds often can not meet the needs of enterprises, and the external access to funds is often very difficult. High-tech enterprises may rely heavily on external sources of capital. Over-reliance on equity financing can dilute the ownership stake of founders and early investors.

### **2.3. Equity and Debt Financing**

The financing methods of high-tech enterprises can be categorized into equity financing and debt financing according to the form of equity. Among them, equity financing refers to the acquisition of equity capital through capital investment and issuance of shares. Debt financing refers to obtaining debt capital by borrowing from banks and other financial institutions, issuing bonds, leasing financing and so on [2]. Equity financing has the advantages of a wide range of sources of funds, no need for collateralized guarantees, low risk of financing, and funds can be used for a long time.

With the continuous development of high-tech enterprises, the debt financing ability of high-tech enterprises has also been strengthened. After deducting the internal financing part of the enterprise, the share of equity financing is relatively reduced, so at present, the financing of high-tech enterprises in China is still dominated by bond financing.

### **3. Financing Problems of High-Tech Enterprises**

#### **3.1. Fewer Financing Methods**

High-tech enterprises have fewer financing methods, which is mainly due to their business characteristics and the nature of the industry. The traditional financing channels for high-tech enterprises mainly include equity financing, bank loans, venture capital and so on. However, these financing methods cannot fully meet the financing needs of high-tech enterprises. Moreover, the company's financing method is too single, and it can't fully utilize the financial leverage effect to realize the long-term healthy development goal [3].

Equity financing is not an ideal financing method for high-tech enterprises. Due to the high business risk of high-tech enterprises, investors are often cautious about equity investment, and the cost of equity financing is also higher, which may have a negative impact on the operation of the enterprise.

Bank loans are relatively easier to finance, but bank loans are also difficult for high-tech enterprises. Due to the high business risk of high-tech enterprises, banks usually require enterprises to provide guarantees or collaterals when they make loans, which is very difficult for some asset-light high-tech enterprises. Banks not only require enterprises to have good financial status, high credit rating, and various financial indicators to meet the requirements of bank loan approval, but also usually require enterprises to provide collateral or guarantee for the consideration of capital security. Small and medium-sized high-tech enterprises are small in scale, with few assets and low income, which can be used as collateral for few assets. Secondly, the difficulty of obtaining bank loans depends on the degree of enterprise innovation, when the technological innovation level of technological innovation projects, enterprises can get from the bank investment will be reduced [4]. So projects with a greater level of technological innovation are not able to obtain more support from banks.

Venture capital, to a certain extent, can alleviate the financing difficulties of high-tech enterprises, but due to the high requirements of venture capital institutions for enterprises, often only a few outstanding high-tech enterprises can obtain the support of venture capital.

#### **3.2. High Financing Cost**

The high financing cost of high-tech enterprises is a common problem, which is mainly due to the fact that these enterprises are usually characterized by high risk and high return. The process of technology development and commercialization of high-tech enterprises is full of uncertainties. The survival and development of these enterprises often depend on the strength of their technological innovations, which, however, often require large capital investments and have a relatively low success rate. Therefore, the investment risk of investors in high-tech enterprises is relatively high, and the required return on investment is correspondingly high. Second, the life cycle of high-tech enterprises is usually shorter, which makes investors face greater uncertainty. Since the technology of these enterprises is updated very quickly, once new technology or new competitors appear, these enterprises may lose their market position quickly. As a result, investors usually demand a higher return on investment to compensate for this risk. In addition, even if an enterprise is in a mature stage and has realized the transformation of scientific and technological achievements and can choose exogenous financing channels such as loans from financial institutions, bond issuance or equity financing, the assets of high-tech enterprises are often mainly intangible assets such as intellectual property rights and a lack of tangible assets [5], which makes banks and other financial institutions more uncertain in assessing the value of their assets. Due to the poor collateralizability of these assets, banks usually

require enterprises to provide more guarantees and collateral, which also increases the cost of financing.

### 3.3. Unbalanced Financing Structure

The unbalanced financing structure of high-tech enterprises is mainly manifested in the disproportion between direct financing and indirect financing. Too high a proportion of debt financing or equity financing can lead to some problems.

Too high a proportion of debt financing will increase the financial risk of high-tech enterprises. As the debt needs to repay the principal and interest on schedule, the debt burden may become a heavy burden for the high-tech enterprise once there is an unfavorable change in the enterprise's business condition. In addition, too high a proportion of debt may also reduce the refinancing ability of high-tech enterprises, thus limiting their expansion and development. The relatively low proportion of equity financing may limit the capital expansion and research and development(R&D) investment of high-tech enterprises. Equity financing is one of the important sources for high-tech enterprises to obtain long-term capital, and the lack of equity financing may lead to insufficient investment in R&D and market development, which in turn affects the long-term development of the enterprise.

After many times of stock financing, it is inevitable that the investor will hold more equity, even more than the proportion of shares held by the founding team or individuals. With a moderate concentration of equity, the major shareholders actively participate in the initiative of enterprise management, which is conducive to monitoring the decision-making behavior of the operator and alleviating the agency problem between shareholders and operators. However, at the same time, the higher the proportion of shares held by large shareholders, the greater the power of manipulation of the company's operations and development, and the information asymmetry and the principal-agent problem with other small and medium-sized shareholders and creditors will be more serious, and the more the large shareholders will have the desire and ability to encroach on the interests of small and medium-sized shareholders and creditors, which will damage the value of the company and will not be conducive to the healthy development of the company in the long term ultimately leading to the dispersion of the control of enterprises, which will influence the daily decision-making and operation [6].

### 3.4. Long Project Cycle

High-tech enterprises have a long project cycle, which makes enterprises face greater challenges when seeking financial support. First of all, the technology research and development stage of high-tech enterprises is long, which requires a lot of time for innovation and technology verification, and has great risks. In the process of research and development of new technology, it is necessary to go through a number of stages, and after analyzing the feasibility study of the project, it is decided whether or not to produce it in large quantities. In the progress of the whole chain, from the very beginning of technology research, product introduction to mass production and marketing work is a very huge cycle [7]. In the high-tech industry, project cycles are often unpredictable due to the high level of technical and market risk involved. One of the biggest challenges high-tech companies face when introducing new technologies is the long cycle of market awareness and acceptance. It may take some time for the market to understand and accept products and services related to new technologies. High-tech businesses typically spend a lot of money on research, development, testing and marketing. Due to the large capital requirements, acquiring and processing cash can lead to an extension of project time.

## **4. Optimization Strategies**

### **4.1. Optimize Financing Structure**

High-tech enterprises with high debt ratios can reduce their gearing ratios through equity financing. The business can lower financial risks and secure a long-term, reliable source of funding by issuing shares or bringing in strategic investors. To prevent undue equity dilution, it is imperative to ascertain a suitable ratio for equity financing. Equity investors should be carefully selected to ensure that they can provide strategic value and support the long-term development of the enterprise. At the same time, high-tech enterprises should also use debt financing flexibly to manage debt levels and ensure that they can afford their repayment obligations. Utilize bonds and loans with low-interest rates to reduce financing costs. Choose direct financing in the capital market to address financing needs, which includes issuing stocks or bonds on the Main Board, GEM, New Third Board and other markets. In this way, high-tech enterprises can raise funds directly from the market to expand their scale, develop new products or invest in other projects, at the same time, it can improve the financial situation of the enterprise, optimize the capital structure, and reduce the information asymmetry [8].

### **4.2. Broaden Financing Channels**

In addition to equity financing and debt financing, high-tech enterprises can obtain more financing support through cooperation with financial institutions. This includes applying for loans from banks, issuing trust products and so on. By cooperating with financial institutions, enterprises can obtain more stable and reliable financing support, reduce financing costs and improve their competitiveness and profitability. Secondly, high-tech enterprises can absorb direct investment or equity financing to senior managers within the company, where the executives provide part of the funds and the company distributes the corresponding shares to the executives, thus increasing the proportion of equity financing [9]. In addition, supply chain financing can be used, where companies cooperate with suppliers and customers to explore supply chain financing opportunities. Supply chain financing tools are utilized, such as accounts receivable financing and prepayment financing. Supply chain financing solves the upstream and downstream enterprise financing difficulties, guarantee difficulties, and by opening up the upstream and downstream financing bottleneck, it can also reduce the cost of supply chain strip financing, and improve the competitiveness of the core enterprise and supporting enterprises.

### **4.3. Increase Government Support**

The government can increase the support for high-tech enterprises, through the introduction of relevant policies to encourage high-tech enterprises to carry out direct and equity financing, so as to improve the imbalance in the financing structure of high-tech enterprises. The establishment of a special high-tech enterprise guarantee fund, for qualified high-tech enterprises to provide guarantee services; at the same time can also set up a special high-tech enterprise investment fund, for the development potential of high-tech enterprises to provide financial support. In addition, financial institutions can be encouraged to develop financial products suitable for high-tech enterprises, such as intellectual property pledge loans and science and technology insurance. To establish a scientific and reasonable credit evaluation system for high-tech enterprises, regulatory authorities and banks and other financial institutions can share the credit evaluation system, eliminate the customary credit discrimination against private enterprises and small and medium-sized enterprises, provide loans to enterprises based on their credit scores, provide financing facilities for creditworthy enterprises, relax loan conditions, simplify examination and approval procedures, and reduce the cost of loans or reduce the exposure of financial institutions through the provision of guarantees or other risk mitigation

measures. measures to reduce the risk exposure of financial institutions. Second, the government can provide more policy support such as financial subsidies and tax incentives to reduce the financing costs of enterprises. Finally, the government can also promote the development of the capital market to provide more direct financing channels for high-tech enterprises.

## 5. Conclusion

This paper mainly discusses the difficulties faced by high-tech enterprises in financing structure and financing methods and puts forward corresponding improvement methods from the high-tech enterprises themselves and the government. To summarize, solving the financing difficulties of high-tech enterprises is a complex and important task. At the present stage, high-tech enterprises are facing financing difficulties such as single financing method and unbalanced financing structure. In short, measures such as optimizing financing structure, broadening financing channels and increasing government support are important ways to improve the financing situation of high-tech enterprises. At the same time, the government and enterprises also need to continue to strengthen management and innovation in order to achieve the goal of sustainable development and long-term profitability. This thesis does not analyze the problems in the financial market itself and more financing methods in depth, and will study the most suitable financing methods corresponding to high-tech enterprises at different innovation levels in the future.

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