

# *The Method for Keeping Micro and Small Enterprises Development Sustainable*

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**Abstract:** In recent decades, there has been an increasing number of micro and small enterprises (MSEs), along with a faster tendency in their development. Furthermore, the development of job possibilities, national tax revenue, and the nation's economy have all benefited greatly from the efforts of micro and small enterprises. Micro and small enterprises must contend with a challenging environment in order to survive, and most struggle to stay in business for an extended period of time. This article uses a literature review method to identify, compare, and analyze a huge amount of journal literature in order to investigate opportunities and strategies for the sustainable development of micro and small enterprises. From the perspective of financial institutions, the government, and micro and small enterprises, help them make the most of the unfavorable credit environment and foster talent and innovation.

**Keywords:** micro and small enterprises, sustainable development, economy

## **1. Introduction**

Micro and small enterprises (MSEs) make up a sizable share of all businesses in the international economy, and their general growth as well as their rise and fall are essential to the size and stability of the global economy. Small and smaller businesses suffered greatly, particularly during COVID-19. Consequently, this article ought to focus more on the quick recovery and growth of micro and small enterprises in the post-pandemic era. Numerous nations have increased their focus and implemented appropriate measures to provide micro and small enterprises with talent and funding in response to the growing significance of sustainable development of these businesses. Numerous nations have attained differing levels of success. Nonetheless, there is still a lot of debate on this subject, and this study has been investigating new approaches and techniques in tandem with the adjustments made to the current economic climate. Micro and small enterprises have development potential for upgrading and transformation in the new economic normal, but they also face financing challenges and expensive talent loss. Supporting micro and small enterprises' sustainable development is therefore crucial. [1] To further investigate the strategies that micro and small enterprises might use to achieve sustainable development, this essay undertakes a thorough literature research and analysis. This article examines solutions to the financing challenges, talent scarcity, and innovation in micro and small enterprises from the viewpoints of banks and other financial institutions, governments, and micro and small enterprises themselves. In many nations and even the global economy, the sustainable growth of micro and small enterprises can have a substantial positive impact

on employment opportunities, social and economic stability, enterprise competitiveness, and the overall standard of economic development. Therefore, current micro and small enterprises need to overcome various social and economic difficulties, continuously improve their capabilities, stimulate the motivation for long-term development, and improve the social conditions for sustainable development.

## **2. An Overview of Micro and Small Enterprises and the Significance**

Small-scale businesses, micro-enterprises, household small-scale production enterprises, and individual small stores are all considered Micro and Small Enterprises (MSEs). They are extensively dispersed throughout cities, towns, and rural areas, and they possess the traits of a vast number and different varieties. Small firms are often thought to employ less than 500 people worldwide. They make over 90% of all enterprises worldwide, which is a huge percentage. In a market economy, micro and small enterprises are essential. First of all, the primary driver of job creation is micro and small enterprises. The statement that micro and small enterprises form the backbone of the world economy is not hyperbole. With 90% of all global firms, 70% of all employment possibilities worldwide, and 50% of global GDP, they are the driving forces behind economic growth and employment promotion. [2]

Furthermore, micro and small businesses in China contribute significantly to both national investment and tax income. By the end of 2021, SMEs will have generated more than 60% of GDP, more than 50% of China's tax income, and more than 60% of foreign and fixed asset investment. [3] They will also have made a significant contribution to China's sustainable economic development. Creativity is another essential component. By the end of 2021, small and medium-sized businesses accounted for over 70% of China's technical innovation, significantly contributing to the development of a nation known for its innovation. By the end of 2021, small and medium-sized businesses in China accounted for more than 80% of urban job possibilities, which is important for preserving social stability and enhancing welfare at the national level. [3]

Therefore, it is impossible to overlook the whole impact that micro and small enterprises have on a community. Despite these drawbacks, SMEs are essential to the competitiveness of Asian nations and are necessary for attaining and maintaining growth and performance. They have a direct impact on income distribution and employment generation, which lowers poverty and promotes more sustainable development in Asia's developing nations. [4]

## **3. Micro and Small Enterprises' Challenges for Sustainable Development**

Even though they make up a major portion of the business landscape, few micro and small enterprises can endure over the long run, and many of them struggle to make ends meet. Internal shortcomings and external market limitations are the primary causes of this issue. Inadequate internal funding of micro and small enterprises, which have modest revenues and a limited operational footprint but must incur greater production and tax expenses, is the root cause of external constraints. But micro and small enterprises also face very tough lending conditions, and their inability to raise capital makes it challenging for them to continue operating over the long term. In many nations and even the global economy, the sustainable growth of micro and small enterprises can have a substantial positive impact on employment opportunities, social and economic stability, enterprise competitiveness, and the overall standard of economic development. As a result, today's micro and small enterprises must overcome a variety of social and economic challenges, consistently enhance their own capacities, inspire long-term development motivation, and enhance the social environment for sustainable development. [5]

On the other hand, during COVID-19, many micro and small enterprises were severely damaged and closed down one after another due to the inability to make ends meet and business depression. A study by the International Trade Center found that 60% of micro-enterprises and 57% of small enterprises were affected by the pandemic, while only 43% of large enterprises were affected. Up to one-third of the small and medium-sized businesses that this paper studied are thought to have permanently closed as a result of the pandemic. As a result, in the post-pandemic era, efforts to support the sustainable growth of micro and small enterprises must come from the national government, social enterprises, and micro and small enterprises themselves. [2]

#### **4. Practical Steps for Small and Micro Business Development**

##### **4.1. The Environmental Problem of Difficult Credit and Expensive Financing**

Firstly, Governments need to address the difficulty of first loans for micro and small enterprises. A significant percentage of these micro and small enterprises are young businesses that are unable to fully obtain bank credit and loans because of a variety of factors, including incomplete financial data, lack of credit information, and short establishment times. Even if they are successful in getting a loan, the interest rate is comparatively high to offset any credit concerns. Therefore, lending is extremely difficult for micro and small enterprises. These businesses struggle to fulfil the loan requirements, particularly concerning the initial loan, and are unable to secure enough capital to launch their operations. As a result, they are more likely to struggle with a lack of funding and be unable to maintain long-term operations. Various banks and financial organizations must take decisive action to assist micro and small enterprises in resolving this issue. Commercial banks must lower loan interest rates and terms for micro and small enterprises loans, particularly for first credit. Furthermore, to address the challenges faced by micro and small enterprises in the first generation, national institutions must also create and optimize channels and platforms. The first physical down loan center was encouraged to be established in Northeast China's Jinpu New Area in 2021 by the People's Bank of China Dalian Branch. The down loan center enhances the accuracy of bank financial services, gives banks and businesses a direct line of communication, and can help the banking sector develop new products, increase productivity, and better serve businesses. The possibility of getting a continuous loan after getting the first loan will also significantly increase for micro and small enterprises. [6]

Preserving the sustainability of loans is another long-term and sustainable way to address small and micro business funding issues. First and foremost, strengthen the close collaboration between commercial banks and financial institutions, establish long-term platforms for cooperation, and offer micro and small enterprises multifaceted services. From the standpoint of the banks, there are periodic fluctuations in the loans that commercial banks provide to micro and small enterprises. Allocating credit becomes a challenge for micro and small enterprises when a restrictive financial environment is put into place. A problem that is impeding the steady operation, expansion, and growth of small and micro companies as well as the sustainable development of the economy as a whole is the lack of accessible small and microloans.[7] The national government ought to encourage complementarity and mutual assistance between micro and small enterprises. The development of a multi-level, sustainable small and micro financial ecosystem should be accelerated, for instance, by governments and commercial banks actively promoting deep cooperation between big banks and small and medium-sized banks, mainstream banks and Internet banks, financial institutions and technology companies. The issue of bilateral information asymmetry between micro and small enterprises and cooperation platforms is another one to which the nation should give particular attention. In order to remove funding obstacles for micro and small enterprises, commercial banks should modernize and increase their usage of information technology, multiple subjects and department cooperation

channels, and various financial technologies. This can speed up the resolution of funding issues for micro and small enterprises in addition to lowering the pressure on financing costs brought on by bilateral information asymmetry.

Platforms require policies to stay up with them. Long-term procedures and enhanced systems for micro and small enterprises must be established by the government. The government department serves as a liaison between businesses, financial institutions, and banks. The establishment of a strong administrative management organization for micro and small enterprises, the improvement of financing laws and regulations, the vigorous promotion of new financing methods and policies, attention to the comprehensiveness and pertinence of policies, the identification of novel avenues for financial institutions and social resources, the creation of a credit information database and information sharing platform for micro and small enterprises, and the improvement of the information sharing and risk bearing mechanisms are all necessary steps toward improving the financing difficulties faced by micro and small enterprises.[8] Countries must maintain stable and sustainable development of micro and small enterprises and improve proactive and effective actions in the face of major health and safety events and various calamities, particularly in the wake of the pandemic. To address this, the federal government must enhance its lending and financing practices for micro and small enterprises owners.

#### **4.2. Talent Cultivation and Digital Transformation**

While financial backing is undoubtedly crucial, internal innovation and talent competitiveness are ultimately what drive tiny and micro businesses' long-term growth. Therefore, the government needs to focus on supporting the digital transformation and talent cultivation of micro and small enterprises to enhance their internal core competitiveness.

The digital revolution needs to be accelerated for micro and small enterprises. One of the reasons why digitalization has a positive impact on business operations is that powerful information technology brings channel advantages. Digital information technology has expanded the sources of information for enterprises, improved the convenience of obtaining information, made information more open and transparent, significantly improved information efficiency, and continuously optimized the transaction functions and matching mechanisms between enterprises, resulting in improved transaction efficiency. [9]

But as of right now, micro and small enterprises' digital transformation is still far from adequate. One significant factor that cannot be overlooked in the digital transformation of micro and small enterprises is the support provided by the government. For micro and small enterprises to undergo a digital transition, avenues must be opened and motivation must be raised. Determining how the current legal and regulatory framework enhances digital transformation is one aspect of government intervention. The government may be a major player in MSEs' digital transformation by promoting knowledge of the process, improving labor force competency, offering financial and technical support, and fortifying data communication infrastructure.[10]

While capital investments can be beneficial in the short term, they are not a long-term plan. The nation should prioritize developing its talent pool to draw skilled workers to micro and small enterprises and give them access to additional resources that will propel their growth. Enhancing the core literacy of new business talents to target the talent demand of micro and small enterprises is an inevitable step to stimulate the innovative vitality of micro and small enterprises, from the perspective of the development requirements of micro and small enterprises. To ensure that the people growing under the new business talent education system can, to the greatest extent possible, match the employment needs of micro and small enterprises, it is carefully chosen to clarify the positioning of new business talent training. For the main body of cultivating new business talents - universities, this means defining the talent needs of micro and small enterprises, cultivating core competencies of new

business talents in a targeted manner, and adjusting the training goals of the new business talent education system with goals.[11]

#### 4.3. The Autonomous Growth of Micro and Small Businesses

Micro and small enterprises can be helped to be in a more optimum development environment with the combined support and aid of numerous banks, financial institutions, and governments, but they are not the deciding factor. In the end, the ability of micro and small enterprises to attain sustainable development is contingent upon their primary competitive advantage. As a result, micro and small enterprises ought to work to raise the calibre of their products and accelerate their development, reaching the ultimate objective of stable, independent, and autonomous development.

Improving independent innovation cannot rely solely on the government, but also on internal management supervision and training within enterprises. Actively cultivating talents within the enterprise, accelerating digital transformation, and keeping up with the pace of world development. Implementing tax policies on financing challenges, technology R&D, and talent system construction is necessary to improve micro and small enterprises' capacity for independent innovation. These policies will also lessen the tax burden on these businesses, giving them more money to invest in enhancing their capacity for independent innovation and bolstering their competitiveness in the market[12].

micro and small enterprises can actively study and implement other businesses' tactics, as well as consider the reasons behind their strong sales, quick production rates, and effective internal management systems. Absorb good marketing and management methods, and combine them with the actual situation within one's own company to apply these methods to one's enterprise according to local conditions [13]. At the same time, it is necessary to listen to the opinions and feedback of employees and society more, and promptly correct errors and incomplete parts. Wait until the enterprise has a certain foundation in operation and management, and then innovate and supplement the mechanism of internal characteristics of itself.

#### 5. Conclusion

The growth of micro and small enterprises has a lot of promise. Micro and small enterprises play a crucial role in the national economy, and both China and other nations must recognize this and offer financial and policy support for their long-term growth. This paper can jointly promote the sustainable development of micro and small enterprises by targeted assistance from national policies, commercial banks, and financial institutions, as well as increasing the quality and quality of micro and small enterprises themselves. The function that micro and small enterprises play in the economy will continue to be emphasized in the future. As a result, their long-term growth will contribute more to the long-term stability and prosperity of a nation and even the global economy.

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