Risk Analysis and Countermeasure Research on Enterprise Financing

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Abstract. With the fierce market competition, opportunities and challenges coexist. So enterprises must consider expanding operation and diversified development, which requires a large amount of investment. Therefore, there are various forms of financing activities, and the financing risk will follow. Whether the financing risk can be reduced or avoided is related to the healthy development of enterprises and the realization of maximizing their benefits. This paper studies the risk of enterprise financing and its countermeasures, and finally puts forward relevant feasible suggestions.

Introduction
In the production and operation of enterprises, financing is the main means to expand their scale, but when the amount of enterprise financing is too high, it will seriously affect the operation of enterprises, and even lead to the collapse of enterprises. Therefore, measures to reduce the financing risk of enterprises can effectively improve the risk management ability and competitiveness of enterprises.

The Meaning and Characteristics of Financing Risk

The Meaning of Financing Risk
The financing risk of an enterprise refers to the fact that an enterprise borrows funds due to insufficient funds, fails to repay its debts on time, or changes in its profits. For the fund raised, it is necessary to pay back the principal and interest on time, which will form the financing burden of enterprises, that is, the financing risk.

Characteristics of Financing Risk
Objectivity: Generally, different ways of financing bring different financing risks to enterprises, and the amount of funds raised is proportional to the risks it may bring; Uncertainty: enterprises can not accurately determine the scope of financing risks beforehand; Two sides: financing risks can bring losses to enterprises, but also may bring benefits to enterprises.

Financing Risk Control Method

Choosing the Best Capital Structure
The optimal capital structure means that within the acceptable risk range, the financial leverage coefficient reaches the maximum and the capital cost is the smallest. When determining the capital structure, we should balance the relationship between the two and find a balance point in order to maximize the benefits of enterprises.

Determining the Reasonable Debt Term and Improving the Use Efficiency of Funds
When raising funds, enterprises should strengthen the awareness of using funds, focus on fund management and predict the capital requirements and payment in the process of enterprise operation, in order to determine a reasonable cash reserve and determine a reasonable debt period.
Strengthen the Phased Control of Financing Risk

According to the short-term needs of production and operation and the future development plan of enterprises, enterprises should do a good job of financial budget in advance, estimate the amount of funds they need to raise, make financing decisions, make real-time adjustments and improve the utilization rate of funds and optimize the capital structure. Furthermore, the financial risk analysis of the financing process is carried out.

Establishment of Risk Management System for Financing

Enterprises should establish corresponding management system, incorporate the prevention of financing risk into their financial management activities, control the cost of financing and reduce the risk of financing. The capital structure of enterprises is analyzed, the causes of financing risks are analyzed, and a feasible management system is established to prevent financing risks.

Strengthen the Level of Managers and the Training of Professional Personnel in Risk Management

The managers of an enterprise will decide the fate of the enterprise. Therefore, the level of managers should be continuously improved. Enterprises can reserve managerial talents through external excavation and internal training. Make a correct risk assessment for the enterprise, reduce or avoid the financial risks brought to the enterprise by improper financing.

Risk Problems and Reasons in the Process of Enterprise Financing

Risk Problems in the Process of Enterprise Financing

An Analysis of the Short-term Solvency of Enterprises. By analyzing the short-term solvency of enterprises through liquidity ratio and quick ratio, the lower these ratios, the greater the risk of enterprises, and the greater the possibility that creditors may fail to get their due return on investment.

Analysis on Long-term Solvency of Enterprises. The long-term solvency of an enterprise is an important index to measure its ability to cope with financing risks. Generally, it can be analyzed from two aspects: asset-liability ratio and property right ratio. Generally speaking, the lower the two indicators, the smaller the risk of financing, the stronger the long-term debt ability of enterprises; conversely, the greater the risk.

Analysis on the Cash Flow Ratio of Enterprises. Cash flow ratio refers to the difference between cash inflow and cash outflow and the ratio of current liabilities in the process of production and operation. This ratio is used to measure the actual solvency of enterprises. The higher the cash flow ratio is, the stronger the actual solvency of the enterprise is.

Analysis on the Reasons of Enterprise Financing Risk

Irrational Capital Structure of Enterprises. In the enterprise financing management, the core content is to determine the capital structure of the enterprise rationally. Different financing methods will bring different risks to the enterprise. If the enterprise chooses financing methods that do not meet its own conditions, it will cause financial risks. Therefore, the enterprise should prevent the occurrence of idle funds and ensure that enough funds can be raised to ensure the normal operation of the enterprise.

Irrational Debt Scale and Term Structure. Enterprise managers are conservative, even in the case of better prospects, the scale of debt is still small. at this time, if the financial leverage plays a full role, it can make the enterprise have a leap forward development. Enterprises generally like short-term borrowing, rarely long-term borrowing, so that the interest rate of financing is proportional to the duration of debt, but a large number of short-term borrowing, short-term debt repayment of enterprises will form a burden, especially when long-term investment projects have not been completed or profited, it is likely to bring financial risks to enterprises.

The Risk Consciousness of Enterprise Managers is Weak. Business managers have a weak
sense of risk, while enterprises attach more importance to interests than risks, and have a large backlog of inventories, resulting in poor capital inflows, only and blindly produce cash outflows, which will make enterprises unable to repay their debts on time. Managers of enterprises only take immediate interests into account, blindly pursue high profits, and hardly evaluate and prevent the risk of financing. Such behavior can only bring a figure on the book to the enterprise, and at the same time bring a great hidden danger to the enterprise.

**Enterprises Lack Talents in Risk Prevention.** Enterprises have always upheld the idea that knowledge is wealth and knowledge creates value, and have trained a large number of enterprise talents. However, the talents trained by enterprises are all committed to the production and operation of the company, paying more attention to performance and neglecting the training of talents in risk prevention. As a result, there is no professional risk prevention team in the enterprise to make risk assessment, resulting in improper financing. Bring financial risks to enterprises.

**Solutions to the Risk of Enterprise Financing**

**Optimizing the Capital Structure of Enterprises**

Enterprises should raise as much capital as possible at the lowest cost within the maximum acceptable risk range, which is the optimal capital structure. It contains two meanings: one is to grasp the degree of risk well, not to make the enterprise unable to bear too high risk, nor to make the risk too low or risk-free, so that the income of the enterprise cannot reach the maximum value, which requires the enterprise to balance the proportion of equity capital and debt capital; the other is to fully consider the cost of capital, some financing methods are less risky, and its capital cost is too high, which also requires the enterprise to balance the proportion of equity capital and debt capital. It will affect the profitability of enterprises. It can be seen from this that proper debt-raising is the only way for the development of enterprises, which is conducive to the development of enterprises. In terms of financing methods, we should follow the principle of internal financing and external financing, which is conducive to reducing the risk of financing. Therefore, it is important for enterprises to choose appropriate financing methods according to their own situation to reduce the financing risk.

**Improve the Efficiency of Fund Utilization and Determine the Reasonable Debt Period**

According to the enterprise's own operating conditions, we should determine the appropriate amount of financing, reduce idle funds, and maintain a reasonable ratio of current liabilities to long-term liabilities. Enterprises should determine a reasonable debt period according to their own production and operation cycle, so that they can neither pay too much capital costs nor generate financial risks because they cannot raise enough funds.

**Strengthen the Level of Managers**

Enterprise managers should be strict with themselves, improve their professional quality and reduce the frequency of decision-making errors. Managers can improve their management level from the following aspects: improving the internal management mechanism of enterprises, strengthening the management of enterprise funds; analyzing and researching the market, producing marketable products, reducing the inventory of enterprises, and increasing the turnover speed of funds; conducting in-depth credit rating survey on customers, strictly restricting credit to those customers with poor credit Sales, in order to prevent the occurrence of bad debt losses; enterprises themselves should strengthen commercial credit, so as to have more financing channels, reduce the cost of capital.

**Training Professionals in Risk Prevention**

If enterprises want to choose proper financing methods, optimize capital structure and avoid financing risks, all these processes need professional staff to analyze them accurately, therefore, enterprises should pay attention to the training of professionals, especially financial personnel, who are familiar with capital management. Enterprises should conduct professional training in risk management for those who perform well.
Conclusion

Every link of enterprise's production and operation is inseparable from funds. The first step of enterprise's production and operation activities is to raise funds, which will be affected by many uncertainties in the process of raising funds, thus resulting in risks. In the contemporary market economy environment, enterprises need to bear risks independently. Through the analysis and research on the meaning, characteristics and causes of financing risks, enterprises realize the benefits and risks brought by financing methods to enterprises, grasp the control methods of financing risks, so that enterprises can better get rewards through financial leverage, and reduce the possibility of financing risks. To the smallest, only in this way can the overall operating performance of enterprises be improved, so that enterprises can be more stable in the market.

Reference


