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Analysis of the Status and Role of Financing Guarantees in Solving the Financing Difficulties of Small and Micro Enterprises in the Financial System

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Abstract: ***Small and micro enterprises are the fundamental support of national economic operation, yet the structural financing difficulty has long restricted their sustainable development. This paper sorts out mainstream corporate financing channels including equity financing, bond issuance, commercial bills, financial leasing and bank loans, and analyzes the applicable thresholds and practical obstacles of each financing mode for small and micro entities. Based on the 2025 industry operation data of China's financing guarantee sector, this paper systematically expounds the core functions of financing guarantee institutions as credit enhancement intermediaries: building a multi-level national guarantee system with quasi-public welfare positioning, exerting fiscal leverage to amplify bank credit supply, lowering comprehensive financing costs for small and micro enterprises, and innovating customized guarantee products targeting asset-light industries such as culture, tourism, science and agriculture. The study verifies that financing guarantee is the key link to unblock inclusive finance, serving as a stabilizer for employment and a booster for private investment under macroeconomic regulation. Finally, the paper proposes future development directions for the financing guarantee industry under the 15th Five-Year Plan, including digital risk control transformation and improved risk-sharing mechanisms, to further ease the financing constraints of small and micro enterprises and bolster high-quality economic development.***

Keywords: Financing guarantee, Small and micro enterprises, Financing difficulty, Inclusive finance, Credit enhancement.

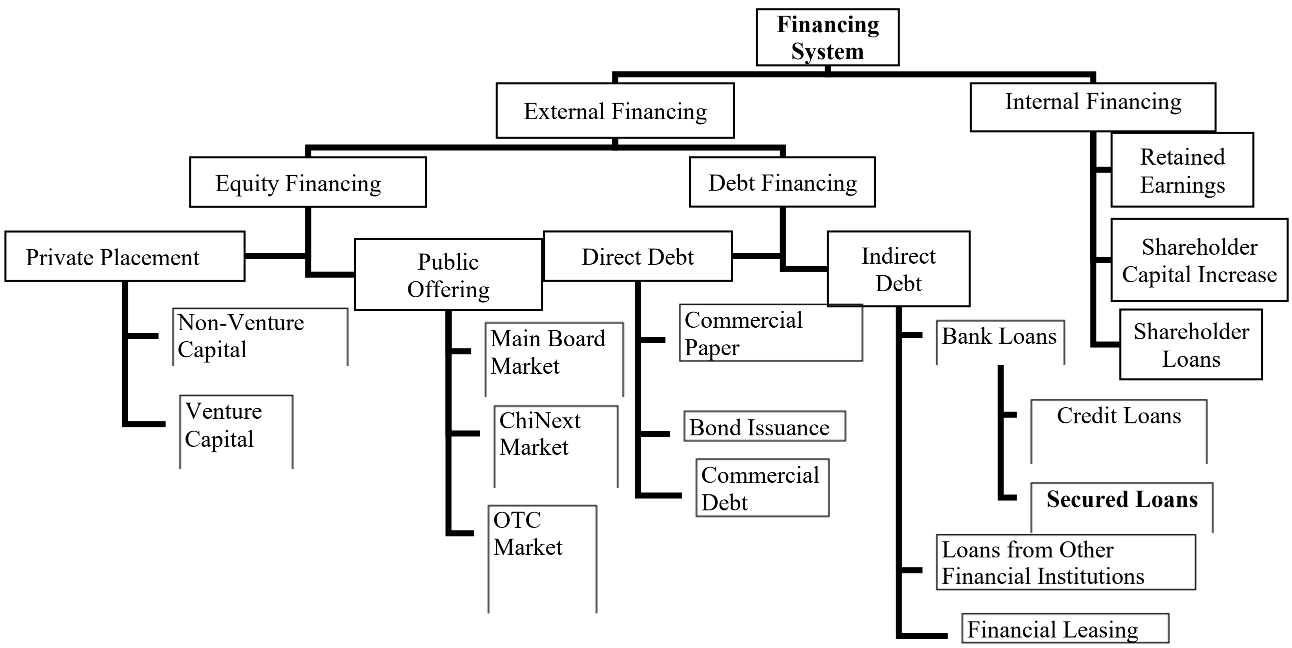
1. Introduction

Small and micro enterprises are the capillaries of the national economy and are crucial to the healthy development of the economy and society. The vast number of small and micro enterprises are not only the carrier for people to start businesses and find jobs, but also carry the lives and dreams of hundreds of millions of families. With their flexibility and efficiency, they make the national economy more layered and elastic. Moreover, with their acumen, they play an increasingly important role in technological revolution and innovation. Among today's Alibaba, Tencent and Baidu, which one was not a private small and micro enterprise?

It is an indisputable fact that small and micro enterprises have difficulty in financing. The development of small and micro enterprises is inseparable from financial support. Compared with large and medium-sized enterprises, small and micro enterprises have particularly strong financing needs, but the share of financing they receive is relatively small. Which financing method is suitable for small and micro enterprises deserves in-depth study.

2. Comparative Analysis of Various Financing Methods

First, let's take a look at the corporate financing system diagram:



At this stage, most of the financing methods in the figure are not easy to obtain for ordinary small and micro enterprises. The reasons are:

2.1 Equity Financing is Scarce

First of all, my country's venture capital industry is still in the development stage, and the exit mechanism is not smooth enough. Angel investment is relatively scarce. Most private equity funds focus on the track, hoping to invest money in industries with explosive growth, or in PRE-IPO (enterprises to be listed) projects, and they require gambling to lock in risks. Dealing with venture capital is like dancing on the tip of a knife. This financing method is not suitable for most small and micro enterprises.

Secondly, there is the problem of narrow public offering channels. Although my country's multi-level capital market system has been established. In addition to the Shanghai and Shenzhen Stock Exchange main boards, it has also successively launched the Small and Medium-sized Board, GEM, New Third Board, Science and Technology Innovation Board and Beijing Stock Exchange, and implemented the registration system reform for enterprise listings. However, thousands of troops are still crossing a single-plank bridge. In early 2013, the New Third Board (National Equities Exchange and Quotations) was officially unveiled in Beijing. As my country's third national stock exchange after the Shanghai Stock Exchange and Shenzhen Stock Exchange, it aims to provide a stock trading and financing platform for the majority of small and medium-sized enterprises. It is of practical significance to small, medium and micro enterprises. However, the current problems of poor liquidity and financing difficulties have not yet been solved.

In addition, some promising small and micro enterprises have bypassed overseas entrepreneurial markets to list, which not only brings regulatory problems to the securities regulatory authorities. At the same time, due to various reasons such as information asymmetry and incorrect services at home and abroad, the cost of enterprises listing overseas is not only high, but also the legal risks are high. It is not a good choice for small enterprises.

Therefore, in order to solve the current financing difficulties of small and micro enterprises, it is necessary to strengthen capital market reform in terms of equity financing, especially to accelerate the construction of the New Third Board. It is more suitable for high-end enterprises among small, medium and micro enterprises [4].

2.2 Bond Issuance is Restricted

my country's bond issuance has strict issuance conditions and total amount control, and it is difficult for ordinary companies to obtain approval. In recent years, allowing small and medium-sized enterprises to issue private placement bonds is a very important policy and is gradually playing its due role. It is also suitable for high-end enterprises among small, medium and micro enterprises.

2.3 Commercial Paper and Commercial Debt are Difficult to Realize

Due to their limited scale, small and micro enterprises are in a weak position in the game between upstream and downstream enterprises that operate the same business. They often pay upstream in cash, but at the same time have to endure credit sales from downstream enterprises. Commercial paper and commercial debt are often not an effective way for small and medium-sized enterprises to finance, but rather a way to be financed.

2.4 Loans from Other Financial Institutions Can Only be Used for Small Loans.

Other financial institutions include insurance companies, trust investment companies, securities companies, finance companies, small loan companies, pawn shops, etc. Among them, small loan companies are relatively suitable, which are more convenient and flexible. However, because small loan companies have very low leverage, they basically use their own money to lend. Limited funds can only be used for short-term purposes and charge high interest rates. The cost of borrowing money for enterprises is relatively high, and it is mainly used to bridge the gap. Generally speaking, they cannot afford it.

2.5 Financing Leasing has Narrow Applications

Financial leasing is a product of the combination of trade and finance. The basic financial leasing requires three parties: the lessor, the lessee and the supplier, and two contracts: the "trade contract" and the "financial lease" contract. At present, financial leasing has developed into a variety of methods, including: refinancing lease, sale and leaseback financial lease, entrusted financial lease, project financial lease and sales lease, etc. Financial leasing is still limited by the narrow scope of industry application and cannot become a common financing method for small and micro enterprises.

2.6 Mainly Rely on Bank Loans

As of the end of 2025, the proportions of my country's main social financing methods are as follows: loan financing accounts for 61%, bond financing accounts for 29%, equity financing (including listing) accounts for 3%, and others account for 7% [6].

After structural analysis of the corporate financing system, it can be seen that various financing methods have their advantages and disadvantages. The most important method of corporate financing at present is bank loans, especially for small and micro enterprises.

Most small and micro enterprises cannot meet bank loan conditions due to insufficient credit and collateral. Therefore, guarantee companies serve as a bridge between banks and enterprises to guarantee small and micro enterprises and promote banks to issue loans to small and micro enterprises. This plays an important role in alleviating the financing difficulties of small and micro enterprises. As the country says, "Financing guarantees are an important means and key link in solving the financing difficulties of small and micro enterprises." Therefore, our country has gradually established a nationwide financing guarantee system consisting of the national guarantee fund, provincial re-guarantee and city and county guarantee agencies [1].

3. Analysis of the Role of the Financing Guarantee Industry in the Financing Difficulties of Small and Micro Enterprises

3.1 Scale of Industry Organizations and Market Penetration

By the end of 2025, my country's financing guarantee industry has formed a huge service network. There are 5,904 financing guarantee companies in the industry with 1,133 branches and 66,000 employees. This large group of institutions constitutes an important financial infrastructure that serves the real economy, especially small and micro enterprises.

3.2 Looking at the "leverage effect" of Guarantees from the Perspective of Macro Credit Scale

As of the end of 2025, loan financing accounts for as high as 61% of my country's huge social financing stock. In this huge credit plate, the inclusive finance field has made breakthrough progress - the balance of inclusive small and micro loans nationwide has exceeded the 30 trillion yuan mark, with year-on-year growth maintaining a high double-digit level. However, in the face of hundreds of millions of market entities, structural gaps in funding still exist [7].

Against this background, financing guarantees, as the core tool of "credit enhancement and sub-insurance", are experiencing explosive growth in business scale. Data show that as of the end of 2025, the balance of direct guarantees provided by government financing guarantee institutions across the country has reached nearly 2 trillion yuan, a year-on-year increase of more than 11%; the cumulative re-guarantee cooperation business scale of the national financing guarantee fund has exceeded 6.7 trillion yuan [3].

It is worth noting that the leverage capability of guaranteed funds is significantly enhanced. At present, the average guarantee amplification ratio of government financing guarantee institutions across the country has steadily increased to 6 to 7 times, and some developed regions and outstanding institutions have even reached more than 10 times. This means that every 100 million yuan of fiscal and guaranteed capital investment can leverage 600 to 1 billion yuan of bank credit funds to reach entities accurately and directly. At the same time, through innovative models such as "headquarters-to-headquarters" batch guarantees, the average guarantee rate is controlled below 1%, which effectively promotes the reduction of comprehensive financing costs for small and micro enterprises and effectively reduces the burden on enterprises.

3.3 Improvement of the Policy System and Establishment of "quasi-public positioning"

Starting from 2025, a series of blockbuster documents have been issued intensively at the national level, raising the strategic status of financing guarantees to unprecedented heights. In 2025, six departments including the Ministry of Finance jointly issued the "Administrative Measures for the Development of Government Financing Guarantees", which further clarified the "quasi-public positioning" of government financing guarantee institutions and required them to focus on their main responsibilities and businesses and adhere to the original intention of serving small and micro enterprises and "agriculture, rural areas and farmers". Immediately afterwards, the Ministry of Finance, together with various departments, issued the "Guiding Opinions on Further Playing the Role of the Government Financing Guarantee System and Increasing Support for Employment and Entrepreneurship" and creatively established the "employment contribution" evaluation index [2].

Entering 2026, in order to effectively stimulate the vitality of private investment, the country has established a "Special Guarantee Plan for Private Investment" with a scale of 500 billion yuan, which will be implemented in two years and focus on supporting the expansion of scenarios in the manufacturing, new infrastructure and consumer fields. This series of "combination punches" marks that my country has established a "one body and two wings" financing guarantee system with the national financing guarantee fund as the leader, provincial re-guarantees as the backbone, and municipal and county direct guarantee agencies as the basis, providing a solid institutional guarantee for solving the financing difficulties of small and micro enterprises [5].

2026 is the first year of the "15th Five-Year Plan", and the role of financing guarantees has already transcended the purely financial category and has become an important starting point for national macro-control. On the one hand, it is the "ballast stone" for stabilizing employment. Small and micro enterprises are the main force in attracting jobs. Through guarantees and credit enhancement, those small and micro enterprises that have orders and technology but lack mortgages can receive "life-saving money", directly protecting the jobs of tens of millions of families behind them. On the other hand, it is a "booster" to promote investment. Faced with the challenge of insufficient confidence in private investment, the special guarantee plan reduces the risk concerns of financial institutions through government credit endorsement and guides the flow of funds to key private investment projects. This coordinated effort of "fiscal + financial" not only expands domestic demand, but also injects strong impetus into the high-quality development of the national economy.

3.4 Innovative Guarantee Forms Inject New Development Momentum into Small and Micro Enterprises

In addition to leveraging scale at the macro level, the product innovation of the financing guarantee system at the micro level has directly solved the pain points of "lack of mortgage and lack of credit" for small and micro enterprises, and customized financing solutions for enterprises in different industries. In the fields of technology and cultural creativity, Beijing's first guarantee "Changying Bao" has linked up with the Bank of Beijing to break traditional guarantee barriers and support asset-light cultural IP companies; Sichuan Puhui Guarantee's "Sichuan Hui Cultural Tourism Bao" accurately connects the cultural tourism night economy and IP development needs. In terms of rural revitalization, Zhejiang Qingyuan's "Ecological Rights Pledge Loan" pledges the right to compensate for forestland easement benefits, allowing "lucid waters and green mountains" to be converted into capital; Jiangxi Jiujiang's "Future Earnings Loan" increases the credit limit by evaluating expected agricultural sales. In the cultural tourism B&B industry, Fujian Xiapu's "B&B E-Loan" has established a "five-party synergy" to revitalize operating rights, and Sichuan Bazhong has pledged scenic spot income rights to support the revitalization of 5A-level scenic spots. Harbin Junxin Guarantee launched the "Cultural Tourism Insurance" with charging rights pledged for the "Harbin Cultural Tourism Ice and Snow Economy" to support asset-light cultural tourism enterprises in practicing "the world of ice and snow is also a mountain of gold and silver"; it launched "Medical Insurance Pass" for the hospital and pharmacy industry to revitalize existing assets through the pledge of medical insurance settlement accounts receivable; It develops "Intellectual Energy Protection" for scientific and technological enterprises, and transforms intellectual achievements into financial capital by pledging intellectual property rights such as patents and trademarks; it also independently develops the "Zhihuicha" big data risk control system, which integrates financial technology and credit data to provide efficient financing support for enterprises with high-quality data flow but insufficient collateral. Diversified innovative products have effectively broadened the financing channels for small and micro enterprises and activated development momentum in various fields.[8]

4. Conclusion and Outlook

To sum up, financing guarantees play a central and unique role in solving the financing difficulties of small and micro enterprises in the financial system. It is not only a bridge connecting bank funds and corporate needs, but also the "last mile" for the implementation of national inclusive financial policies.

Looking to the future, with the advancement of the "15th Five-Year Plan", the financing guarantee industry should further deepen digital transformation and improve service efficiency through big data risk control; at the same time, continue to optimize the risk sharing mechanism so that guarantee institutions "dare to bear and are willing to bear" and banks "dare to lend and are willing to lend." As an important part of the financial system, financing guarantees will continue to play their countercyclical regulatory role, safeguarding the growth of small and micro enterprises, and contributing more to the resilient development of the Chinese economy.

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