

# Financial Difficulties of Small and Medium-sized Private Manufacturing Enterprises in the Post-epidemic Era and Countermeasures

Yijing Wang

School of Business Administration, Anhui University of Finance and Economics, Anhui  
230000, China

1453003674@qq.com

## Abstract

With the relaxation of the epidemic policy, our economy gradually recovered. As the main body of our national economy, the manufacturing industry has been greatly affected by the novel coronavirus epidemic. In the post-COVID-19 era, China's manufacturing industry is in the stage of full resumption of work and production. For small and medium-sized private manufacturing enterprises, the development situation is grim. In this regard, this paper takes small and medium-sized private manufacturing enterprises as the research object, analyzes their financial difficulties in the development process, and puts forward suggestions on how to deal with the financial difficulties of small and medium-sized private manufacturing enterprises under the policy environment in the post-epidemic era.

## Keywords

Post-epidemic Era; Small and Medium-sized Private Manufacturing Enterprises; Financial Distress Suggestions.

## 1. Introduction

The outbreak and spread of the novel coronavirus epidemic has made a dramatic impact on our country's rapidly developing economic activity. The manufacturing industry plays a pivotal role in the main body of the national economy and is seriously affected. Its added value accounts for nearly 30% of the GDP. However, the current technical level of the manufacturing industry in China is relatively low, and in recent years, it has been affected by the global economic downturn and other factors, and its development has been relatively sluggish. In the current situation of effective epidemic prevention and control in China, while the epidemic situation in foreign countries is still unstable and many uncertainties are superimposed, the development of China's manufacturing industry is facing new opportunities and challenges. This paper analyzes the financial difficulties faced by middle and small sized private manufacturing enterprises in the manufacturing industry. On the one hand, the growing scale of small and medium-sized enterprises and the increasing operation efficiency have gradually become important pillars of national economy. On the other hand, due to their own conditions and scale and other reasons, small and medium-sized enterprises have shortcomings in risk prevention, financial management and other aspects, which has a certain impact on their survival and development. Therefore, small and medium-sized enterprises should seize the development opportunity, in-depth analysis of the current enterprise financial management predicament, and formulate corresponding strategies, give full play to the promotion and protection role of financial management to the company's long-term strategic development goal, through the study of enterprise financial management, efficiency, benefit, risk prevention, so as to promote our economy to better realize the rapid development. This paper analyzes the influence of

domestic and foreign economic environment on the development of small and medium-sized manufacturing enterprises in the post-epidemic era, and finds out the financial difficulties faced by small and medium-sized manufacturing enterprises in Anhui province as an example, and finally puts forward reasonable proposals.

## **2. Organization of Characteristics of the Economic Environment in the Post-COVID-19 Era**

### **2.1. The Productive Forces Develop Rapidly, The Overall National Strength Increases Significantly, and the Market Economic System Continues to Improve**

In 2022, China worked hard to overcome the impact of the complex and severe international situation, the COVID-19 pandemic, natural disasters and other factors that exceeded expectations, maintained overall stability in the macroeconomic market, and raised the national economy to a new level despite the pressure.

### **2.2. Reduced Global Dependence and Domestic Demand as the Main Driving Force of Economic Growth**

The outbreak of COVID-19 has accelerated the speed of China's independent innovation, matured domestic supply chains, deepened localization, and promoted the digital transformation of the real economy, highlighting the need to harness the power of the fourth industrial revolution to develop the domestic economy and jointly address global challenges.

### **2.3. Enterprise Competition Intensifies, and Private Enterprises and Social Organizations Emerge**

Large domestic enterprises have a big advantage in terms of profit and return on investment, but fierce competition will threaten their established position. The vulnerable groups represented by small and medium-sized enterprises are not highly sensitive and digitalized, resulting in insufficient cash flow, forced layoffs and increased risk of bankruptcy. Today, private enterprises account for nearly two thirds of China's economic growth and more than 90 percent of new jobs, indicating that the distribution of economic power in China has changed significantly, and that cooperation between government and business has become more frequent since the outbreak of the pandemic, and will be more extensive in the future.

## **3. Development Opportunities for Small and Medium-Sized Manufacturers in the Post-COVID-19 Era**

From the perspective of the domestic economic situation, from January to February of 2023, the domestic epidemic rapidly peaked, the impact of the epidemic on the economy gradually subsided, the concept of the epidemic gradually faded, the economy began to recover, the effect of the economic stabilization policy gradually appeared, the market expectation improved, service consumption recovered rapidly, infrastructure investment continued high growth, industrial enterprises resumed work and production. As the economic recovery continues to progress and the Chinese economy becomes more dynamic, the market is in the process of increasing risk appetite. No matter from the perspective of future growth, future change of financial condition index, future change of inflation, future change of financial market price, China's economy should find the fulcrum of confidence recovery in the new downturn of world economy and global stagflation environment. Meanwhile, in combination with the important spirit of the 20th Party Congress, infrastructure construction and large consumption will be the engine of economic recovery. We should seize the favorable trend of the economic environment for the development of domestic enterprises, and find new driving forces and new support

points to support economic development in the future, so as to make a transformational change in our confidence.

## **4. Financial Difficulties for Small and Medium-sized Manufacturers in the Post-pandemic Era**

### **4.1. Macroeconomic Situation is not Optimistic, and Domestic Competition Continues to Intensify**

The decline of the global growth center leads to the decline of China's economic growth rate, and the normal path of external demand, export has been affected to a certain extent. From the aspects of global economic growth rate, price level, global monetary policy and real estate market adjustment, we can know that the confidence of global market players is low at present, and the expected weak situation has not been fundamentally changed, which is in line with the overall macroeconomic development direction. Despite the relaxation of the epidemic policy, the foundation for economic recovery is still not solid. Increased uncertainty in the external environment, continued contraction in overseas demand, increased geopolitical risks and sluggish investment growth; There are not many new consumption hotspots, and the growth rate of total retail sales of consumer goods continues to slow down. Due to the combination of rising international trade protectionism, a tightening external environment and intensifying competition in the domestic market, the number of Chinese products subjected to foreign trade remedy investigations continues to remain high. Macroeconomic problems in investment, consumption and external demand that need to be overcome are mainly reflected in the downward pressure of the economy.

### **4.2. The Capital Pressure has Soared, and the Problem of Enterprise Financing is Prominent**

Small and medium-sized manufacturing enterprises themselves have the characteristics of small capital scale and a high proportion of working capital. In the face of the external environment and the characteristics of the enterprise itself, the pressure on their capital chain has increased sharply. On the one hand, under the situation of production stagnation, unstable supply, and customer orders not being completed as expected, the operating income of small and medium-sized manufacturing enterprises has plummeted, and they still have to bear high fixed cost expenditures such as plant rent, water and electricity labor costs, etc., the overspending inventory cost caused by a large number of over The impact of the foreign epidemic has led to a significant increase in transportation costs, which has increased the capital burden of enterprises. At the same time, the "scissor difference" between the consumer price index and the producer price index has further expanded. While the price of industrial products continues to decline, the cost of production factors is rising, especially the labor cost. This will squeeze the profit space of enterprises, and the number of enterprises with production and operation difficulties will increase.

On the other hand, although China's small and medium-sized enterprises have initially formed a variety of financing channels, the difficulty of financing and guarantee is still the biggest obstacle to the development of small and medium-sized enterprises. Due to the insufficient credit of small and medium-sized private manufacturing enterprises, it is difficult to effectively evaluate their performance and financial situation. Some small and medium-sized private manufacturing enterprises arbitrarily change the use of funds to delay repayment after obtaining loans, resulting in many banks not passing their loans. The high financing costs and lack of financial channels also make it difficult for small and medium-sized manufacturing private enterprises to obtain financing. Due to the small size and weak capital of many small and medium-sized private manufacturing enterprises, their credit cooperation with banks is

not smooth. In addition, small and medium-sized private manufacturing enterprises have fewer mortgageable assets, a shortage of retained funds, poor ability to resist pressure, and it is difficult to raise funds through the open capital market. Moreover, the interest of financial loan companies is too high and the burden is too heavy, resulting in insufficient funds for enterprises to alleviate operating difficulties during the epidemic.

#### **4.3. Management Defects of Small and Medium-Sized Private Manufacturing Enterprises Lead to Financial Risks**

In the new economic environment, the excessive pursuit of economic benefits of small and medium-sized private manufacturing enterprises leads to a high debt ratio, the neglect of potential risks and the lack of overall awareness of risk control will lead to unnecessary losses of enterprises, and further lead to the financial crisis of enterprise operation. Most managers of small and medium-sized manufacturing enterprises lack necessary financial management expertise and sensitive business sense. They do not make reasonable overall arrangements for the allocation and use of cash sources, so it is difficult to balance risks and benefits, which often increases the possibility of managers making wrong decisions. Many small and medium-sized private manufacturing enterprises do not carry out in-depth analysis of corporate financial statements, and fail to properly use the tools of management, which intensifies the risk of financial management. At the same time, small and medium-sized private manufacturing enterprises have internal control system is not perfect, governance structure problems, so that the financial management of enterprises into stagnation, difficult to adapt to the new economic development requirements.

#### **4.4. Low Efficiency of ERP Management System in Small and Medium-Sized Private Manufacturing Enterprises**

As an integrated information management system mainly oriented to manufacturing industry, ERP system can not only realize the integration and sharing of material resources, capital resources and information resources across regions and departments, but also collect and feedback market information in time, which points out the direction for scientific management decision-making of manufacturing enterprises. In the new era of rapid development of information technology, although manufacturing enterprises are actively applying ERP system to complete the real-time tracking and target control of production, finance, transportation and other links of information, but the managers' lack of attention and cognition leads to their excessive dependence on suppliers in the process of application of ERP system, and serious operation problems occur frequently. All these affect the advantage of ERP system. Especially for small and medium-sized private manufacturing enterprises, the cost of ERP system accounts for a large proportion of the enterprise cost. If the advantages of ERP system cannot be well played, it will bring adverse effects to the enterprise.

### **5. Respond to Suggestions**

#### **5.1. Analyze the Key Words of National Policy Development and Adjust the Direction of Enterprise Development**

The national policies for small and medium-sized private manufacturing enterprises can be divided into seven categories: organizational support, industrial support, innovation and entrepreneurship, finance, taxation and finance, science and technology service intermediary, talent cultivation and other special policies. From the comparison of innovation policies of different types of manufacturing private smes, it is found that the relevant policies supported by the organization pay more attention to supporting enterprises of the whole industrial chain, and establish a good external environment for smes with the help of relevant policies. Industrial support policies in recent years have focused on high-end industries such as biomedicine, new

energy, integrated circuits, robots, graphene and new materials. Innovation and entrepreneurship policy attaches great importance to providing science and technology incubation support for small and medium enterprises of science and technology innovation to reduce the risks and costs faced by enterprise development. Tax policy increases gradually over time; The policy of science and technology service intermediary focuses on supporting the informationization development of manufacturing smes, scientific and technological progress, and accelerating the transformation of scientific and technological achievements through cooperation with universities, research institutes and other innovation entities; In recent years, the talent cultivation policy has paid more attention to the cultivation of scientific and technological innovative personnel and highly skilled personnel. The focus of other specific policies is also in flux. With the continuous development of Chinese economy and the gradual strengthening of manufacturing strength, the policy support direction and emphasis of manufacturing small and medium-sized enterprises has also changed. Through TF-IDF analysis model, the characteristic keywords of different years are found as follows:

**Table 1.** The characteristic keywords of different years

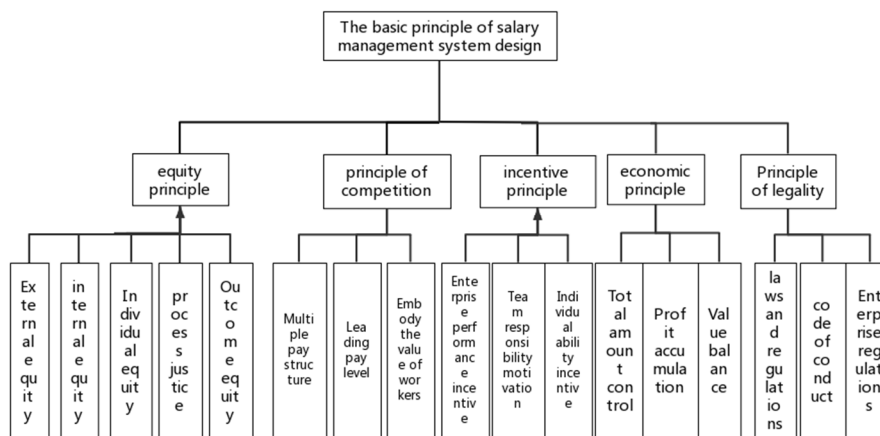
Year	2001-2005		2006-2010		2011-2015		2016-2020	
Characteristic keywords (TF-IDF value)	Non-public ownership	0.044	Industrialization	0.028	Informatization	0.041	Internet	0.066
	High tech	0.042	Competitiveness	0.022	Strategic	0.031	Informatization	0.034
	Competitiveness	0.028	High tech	0.022	Processing industry	0.030	Robot	0.029
	Industrialization	0.022	Manufacturing	0.022	Competitiveness	0.026	Artificial Intelligence	0.019
	National economy	0.020	Informatization	0.020	Internet	0.020	Drone	0.018
	Production line	0.018	Midwest	0.018	Industrialization	0.016	Intelligent	0.018
	Incubator	0.018	Mechanization	0.018	Intelligent	0.015	Industrial chain	0.016

In 2020, the sudden outbreak of COVID-19 for the industrial manufacturing industry is a test of whether our industrial system has enough resilience and resilience to face the impact of uncertain events. At present, the full resumption of work is a major challenge facing the manufacturing industry. It will take some time to recover from uncertainties such as production orders, the impact of domestic and international supply chains, and the return of employees to work. Therefore, during this period of recovery called "post-pandemic era", the state pointed out that "service, innovative development, intelligent logistics" are the key words for industrial transformation. Small and medium-sized enterprises can use the text mining method and the TF-IDF analysis model to dig out different types of national support policies, in-depth interpretation, combined with the development keywords of The Times, timely and effectively adjust the direction of enterprise development, grasp the national policy dividend, and create a good economic development environment for enterprises.

**5.2. Reconstruct and Design the Salary Management System**

The purpose of salary system design is to establish a scientific, reasonable and tailored salary system for the organization, so that on the basis of guaranteeing the life of the employees, it can maximize the motivation of the employees' subjective initiative to make contributions to the organization. In addition, the compensation system should have the ability to continuously

adjust its consistency in line with the organization's long-term development strategy, and the following principles and requirements will guide the design:



**Fig 1.** Design principles and requirements

Manufacturing is a labor-intensive industry, and small and medium-sized manufacturing enterprises account for 80 percent of employment. Most small and medium-sized manufacturing enterprises have a low degree of automation, strong labor dependence, vague definition of internal positions, large employee mobility, and limited salary attraction due to limited human capital input, so the average cultural quality of employees employed within the organization is low. If there are lengthy and complicated procedures in public documents such as salary setting, structure and system as well as accounting methods and operation mechanisms, then employees will subconsciously think it is unfair when they cannot understand it. Meanwhile, human resource management department will waste a lot of work in explaining salary composition and algorithm to employees, which is a long-term workload. Therefore, the design of salary management system should also pay attention to the principle of information simplification in line with the characteristics of the organization. The five basic principles in the figure complement each other in the design of compensation system, and provide five key reference decisions for organizations in the design of their own compensation management system : ① the driving effect of compensation on the strategic objectives of the enterprise ② external competitiveness ③ internal fairness ④ reflects the individual contribution of employees ⑤ the compensation structure and financial control.

### 5.3. Solve ERP System Application Problems and Improve Integrated Management Efficiency

First, do a good job in infrastructure construction. In the process of selecting the ERP system, manufacturing enterprises should increase the density of communication with suppliers to fully examine whether the application of the ERP system can meet the management needs of the enterprise, and choose the most cost-effective system on the basis of ensuring the stability, scalability and service of the system. At the same time, the management of manufacturing enterprises should do a good job in the publicity of the online application of the ERP system, give full play to the top-down management advantages and impact efficiency, drive all departments to pay attention to the practical application of the ERP system, and find the problems and loopholes in the system application in time, and combine the existing business processes of the enterprise Focus on the discussion and carry out project analysis scientifically. Second, carry out talent training on a regular basis to provide a basic talent guarantee for the safe and efficient operation of the ERP system by inviting system developers to enter the

enterprise to carry out special training. Secondly, manufacturing enterprises should strengthen internal training at the management level to ensure that they clarify the importance of ERP system application, and give full play to the advantages of management to drive the grass-roots level, so as to lay the foundation for the construction and improvement of the ERP system operation system. Pay attention to the construction of incentive mechanism and supervision system, so as to comprehensively mobilize the subjective initiative of personnel in various departments, so that they can efficiently cooperate with the application of the ERP system. Third, establish and improve the system application system, correctly understand the essence of the ERP system, and objectively analyze its limitations and risks, so as to formulate risk prevention measures in advance. Scientifically build the application process of ERP system, and do a good job in the functional architecture of ERP system to ensure high data integration and high information sharing, and realize the integration of manufacturing enterprise management. Fourth, strengthen the supervision and management of system application, clarify the expected goal of promoting the application of the ERP system, and strengthen the integrated control of multiple data information; strictly review the data information after entering the ERP system, and emphasize the construction of a refined management mode and responsibility accountability mechanism, so as to urge the personnel of all departments to strictly standardize. And constrain your own operation behavior. Fifth, pay attention to system application evaluation. Manufacturing enterprises should pay attention to carrying out the ERP system application performance evaluation system, and do a good job in the collection, collation and analysis of basic data information, so as to ensure the accuracy of risk prevention in manufacturing enterprises and achieve the informatization and intelligent development goals of manufacturing enterprises. Sixth, build an appropriate corporate culture, adopt a people-oriented management model, fully listen to the suggestions of grassroots employees, and optimize and improve the ERP system in a targeted manner, so that grassroots employees can truly feel the respect from the senior management of the enterprise, so as to enhance the cohesion and cohesion of employees to the enterprise. Small and medium-sized private manufacturing enterprises can improve the enterprise ERP management system through the above six steps, which can improve management efficiency, effectively reduce the financial costs of enterprises, and alleviate financial difficulties.

#### **5.4. Strengthen the Management and Control of Funds to Improve the Risk Resistance of Enterprises**

The living environment faced by enterprises is complex. Strengthening their cash flow management can effectively reduce operating risks, improve the efficiency of the overall use of funds, and also help promote the sustainable development of enterprises. Risk resistance refers to the ability of an enterprise organization to resist pressure when facing crisis risk, which can measure an enterprise organization to a certain extent.

Financial status and operational health status, etc. Under the influence of the external environment such as the financial crisis, enterprises can increase the main business income, reduce management costs, and help enterprises improve their risk resistance by improving the production efficiency and reducing costs of the manufacturing industry. For the small and medium-sized manufacturing industry, it is necessary to establish and improve clear production rules and regulations to form a benign work cycle; to prepare for pre-manufacturing work, raw materials, personnel, machinery and equipment, etc. need to be carefully checked, the output in time, carefully filled in the collection list, the incoming defective products, and the non-conform , replenishing and changing materials, to avoid the impact of the overall production by complex rework procedures after the event; establish a standard cost system, stipulate four major cost limits, control non-essential expenses and prevent unexpected expenses from the four major links of materials, labor, manufacturing and sales, so as to achieve

open source and reduce expenditure. In addition to dealing with external risks, we should also strengthen internal supervision and strictly supervise and use funds. Only by ensuring sufficient cash flow can we meet the needs of enterprise production and operation. At present, due to the main financing mode of internal source financing of small and medium-sized manufacturing enterprises, the source of equity capital is single, coupled with the shortage of their capital channels and their own funds, resulting in an excessive debt ratio. Therefore, it is necessary to take measures such as capital structure optimization, asset structure optimization, and debt management to reduce the financial risks of enterprises.

### 5.5. Improve the Financial Management Level of Managers

In the face of the new economic environment, enterprise managers must change their ideas, pay more attention to financial management, and assist the financial department in various management. Managers need to continuously learn new enterprise management knowledge, choose the most appropriate management method according to the situation of the enterprise, and analyze, predict and supervise the financial information of the enterprise through modern information technology and management means. In addition, keen risk prediction awareness and coping ability are also very important. Under the conditions of market economy, the production and operation of small and medium-sized private manufacturing enterprises are prone to financial crises. Therefore, managers should build a financial early warning mechanism, detect and discover financial crises, analyze problems, and propose preventive measures to prevent enterprises from falling into a passive situation.

## 6. Conclusion

To sum up, the liberalization of the epidemic policy has promoted the recovery of the national economy and provided a better external environment for small and medium-sized private manufacturing enterprises. However, due to the long-term impact of the epidemic, enterprise competition has intensified day by day, the speed of informatization and intelligence has been accelerated, and the development of enterprises needs to be transformed. At the same time, due to the characteristics of small and medium-sized private manufacturing enterprises with small capital scale, high proportion of working capital, unsound management system and few financing channels, the economic situation is relatively severe. In response to these problems, this paper puts forward suggestions to deal with the internal and external financial difficulties of enterprises, improve the financial management ability and management efficiency of enterprises, and promote the rapid transformation and sustainable development of small and medium-sized private manufacturing enterprises in the post-epidemic era.

## Acknowledgments

Project: Financial difficulties of small and medium-sized private manufacturing enterprises in the post-epidemic era and countermeasures.

## References

- [1] Su Min. Financial Management Predicament and Countermeasures of Small and Medium-sized Enterprises under the New economic Situation [J]. Journal of Marketing, 2023(01):59-61.
- [2] Liu Xin. Research on Compensation Management System Reconstruction of STY Company, a Small and medium-sized manufacturing enterprise [D]. Shanghai international studies university, 2020. DOI: 10.27316 / , dc nki. Gswyu. 2020.000239:66-71.
- [3] high yueqin. Manufacturing enterprise ERP system application problem and countermeasure analysis [J]. Market modernization, 2022 (17) : 88-90. The DOI: 10.14013 / j.carol carroll nki SCXDH. 2022.17.051.



- [4] Wang Liying, Huo Yutong, Yang Yan. Research on Policy support system for innovation development of manufacturing smes [J]. Journal of Zhejiang University of Technology (Social Science Edition), 2021, 20(02):193-200.
- [5] HONG Yingli. Cost Control Strategy in Manufacturing financial Management [J]. China Foreign Investment, 2021(06):92-93.