

Research on the Influence of Listing on the New Third Board for Small and Medium-Sized Enterprises

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Abstract: *SMEs have been playing an important role in different countries and different stages. Under the background of China's new economic era, the impact of small and medium-sized enterprises can not be underestimated. But small and medium-sized enterprises make great contributions to the economy, while their own development still faces difficulties and problems. This paper analyzes the possible impact of small and medium-sized enterprises after the listing on the New Third Board to deepen the understanding of the New Third Board market in China, and provide reference for other small and medium-sized enterprises.*

Keywords: Small and Medium-Sized Enterprise (SME), The New Third Board, Financing, Operating Performance

1. Introduction

With the development of China's economy from high speed to middle and high speed, many small and medium-sized enterprises, as new forces, have added vitality to our economy and begun to play a vital role in the new period. As one of the key points in the construction of multi-level capital market in China, the New Third Board has no substantial access threshold for minor enterprises, and is more inclusive, which has become one of the important ways for SMEs to solve financing.

While making great contributions to the economy, SMEs still face difficulties and problems in their own development. On the one hand, the issue of cost is related to the sustainable operation of small and medium-sized enterprises. Compared with large enterprises, SMEs are more vulnerable to market fluctuations, and the rise in production costs will further narrow the profits of SMEs. On the other hand, the financing difficulty of SMEs is still outstanding. Banks have been reluctant to lend, suppress loans, lend money and break loans. This paper analyzes the possible impact of small and medium-sized enterprises after the listing on the New Third Board to deepen the understanding of the New Third Board market in China, and provide reference for other small and medium-sized enterprises.

2. Literature Review

Foreign research on SME financing has been long-standing. As early as the 80s of last century, Weston and Brigham (1978) put forward the theory of enterprise financial growth cycle, Berger and Udell (1998) divided enterprises into different stages of development, so as to distinguish different financing ways and structures^[1]. Lee CH, Lee K (2002) made a conclusion that compared to the field market, the OTC market can provide a broader trading platform for private capital. It facilitates small and medium-sized enterprises to absorb funds through equity financing, saves the cost of debt, and improves the capital structure of the company. Barclay MJ (2007) emphasized the importance of well-developed OTC market for

SME financing. Jinying Shi (2007) thought that small and medium-sized enterprises are small in scale and have insufficient funds. If they can not get funds from outside, they will not be able to operate for a long time.^[2] Ruifei Xue (2014) analyzed the data of some listed companies, and concluded that the financing of SMEs is the only way to solve their problems.^[3] Shijie Wei (2013) believed that the New Third Board market fits well with corporate financing and venture capital exit.^[4] Ya Su (2015) shew through the study that the creation and development of the New Third Board is very important to the construction of multi-level capital market in China. At the same time, the improvement of the New Third Board can alleviate the financing problems of scientific and technological small and medium-sized enterprises to a certain extent.^[5]

3. The Influence of Listing on the New Third Board for SMEs

At present, China has initially formed a multi-level capital market system composed of main board, small and medium board, gem, stock transfer system and regional equity trading center. Through the mutual supplement of different levels of market, it can match the financing needs of different enterprises more effectively. The introduction of the New Third Board expansion policy and the continuous improvement of the related system at the end of 2013 have brought vitality and vitality into the New Third Boards in China. The New Third Board market has developed a breakthrough in the number of listed companies, the total market value, and the transaction amount, which marks the gradual maturity of the New Third Board market in China and the new economy in the form of the new economic form. It plays an important role.

3.1 The impact of financing for SMEs listing on the New Third Board

In recent years, the financing capacity of the New Third Board has been continuously strengthened. The number of issuance has increased significantly. The New Third Board not only

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provides new financing channels for small and medium-sized enterprises, but also enhances the information openness of SMEs and indirectly their credibility.

From Table 1, it can be seen from the beginning of 2015, the number of stock issuance of the New Third Board has increased significantly. In recent years, the amount of financing has risen steadily, and the amount of financing has also increased. According to the statistics of the end of 2017, 8671 stocks have been issued in the New Third Board listed companies in China, and the total financing amount is 410 billion 828 million yuan.

Table 1: Financing of the New Third Board (2013-2017)

Stock issuance index	2017	2016	2015	2014	2013
Number of issuing times	2,725	2,940	2,565	330	60
Financing amount (\$100 million)	1,336.25	1,390.89	1,216.17	134.08	10.02

3.2 The impact of operating performance for SMEs listing on the New Third Board

The New Third Board not only provides a low cost and multi source financing channel for small and medium sized enterprises, but also affects the development of them in many ways.

3.2.1 Set up a good brand image

The emergence of New Third Board will enable more investors and financial institutions to understand small and medium-sized enterprises, and be sure of their business activities, direction of development and changes in their rights and interests. SME listing on the New Third Board will potentially convey a signal to the market: this company is profitable and has room for growth. On the one hand, the promotion of reputation and credit situation will make SMEs more utterance in financing. On the other hand, they also win trust and resources for themselves in front of business partners.

3.2.2 Improve financial transparency and standardize business process

Before listing on the New Third Board, the internal control structure of the most SMEs is not reasonable. The property right is not clear, and the fair transaction is associated with the imperfect governance structure. But during the listing course, the New Third Board clearly requires such things. The small and medium enterprises should be instructed by the sponsor, the accounting firm and the lawyers before the listing. To help them with their financial, corporate governance and other related issues, and solve related problems that may arise in the process of preparing for listing. The SMEs which are listed on the New Third Board need to regularly disclose their financial management and the change of equity, which will increase the transparency of the financial data and reduce the non standard operation of the company.

3.2.3 Make the internal governance structure of small and medium-sized enterprises more perfect

China's stock transfer system stipulates that before the small and medium-sized enterprises enter the new three boards, they must first carry out the shareholding system reform, and then standardize the corporate governance structure. At present, the

problems of the small and medium enterprises in our country are unidentified, the ownership is too centralized, the corporate governance structure is not perfect, the internal control is unreasonable, and the external supervision is lacking. If small and medium-sized enterprises want to hang up the new three boards, the first need to conduct stock reform and due diligence under the guidance of the sponsor, the law firm and the accounting firm, all of which are beneficial to the comprehensive understanding of the enterprise and the internal problems.

3.2.4 The relevant system has an incentive effect on small and medium enterprises

As a bridge to the main board of the SMEs, the New Third Board has developed rapidly and has the trend of continuous expansion. From the formal implementation of the transfer board system to the end of 2016, a total of 12 enterprises completed this change. Only one year in 2017, there were 24 enterprises in the New Third Board listed companies to complete the transfer board from the New Third Board to the A share. After the successful listing of the main board market, the small and medium enterprises will get the attention of the society, which confirms the strength of their own business, and also increases the potential customers and investors. Thus it lays the foundation for the gradual transition of SMEs to mature enterprises.

3.3 The malpractice of the New Third Board for small and medium-sized enterprises

After listing the New Third Board, SMEs should follow relevant regulations and make public all kinds of information. The disclosure of these information is bound to have a certain impact on the listing of enterprises, and even increase the difficulty of enterprise management.

4. Conclusion and Suggestion

Although the New Third Board requires SMEs to disclose information, this will undoubtedly cause some pressure on small and medium-sized enterprises. On the whole, listing on the New Third Board will play a positive role in the financing sources, financial governance and management performance for SMEs. It is beneficial to the growth and growth of small and medium-sized enterprises.

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