Financing Path Analysis of Small and Micro Enterprises Based on Internet Finance

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Abstract: Small and micro enterprises are an important part of China’s economy and an important driving force to create tax revenue. However, the financial services they obtain do not match their economic status seriously, and they often fall into the plight of insufficient capital turnover. In this context, according to the traditional financing mode of small and micro enterprises, this paper analyzes the financing mode of Internet finance, and selects the financing path represented by P2P financing, crowdfunding financing and e-commerce small loan platform, and analyzes the corresponding countermeasures and suggestions. Finally, based on the perspective of Internet finance, the financing path of small and micro enterprises is optimized and proposed.

Keywords: Online Finance; Small and Micro Enterprises; Financing Path

1. Financing theory of small and micro enterprises

1.1 Basic concepts of small and micro enterprises

Small and micro enterprises are collectively referred to as small enterprises, micro enterprises, family workshop enterprises and individual businesses. Compared with the maturity and perfection of large enterprises, small and micro enterprises have a large gap in management system, talent allocation and capital[1].

At present, China’s small and micro enterprises have four major characteristics: Firstly, the investment subject and ownership structure are diversified, and private small and micro enterprises are the main body of small and micro enterprises; Secondly, labor intensity is high, polarization is obvious, and industrial structural contradictions are prominent; Thirdly, unbalanced development, concentrated advantageous regions with obvious regional cluster characteristics; Fourthly, sensitivity and vulnerability to external environment changes. But it has strong vitality and enterprising spirit.

1.2 Traditional financing mode of small and micro enterprises

1.2.1 Internal financing

The internal financing methods of small and micro enterprises in China mainly include self-financing, real estate mortgage and absorbing partners into shares. Self-raised assets refer to personal deposits or loans from relatives and friends, which often occurs in the early stage of entrepreneurship[2]. The real estate mortgage refers to the bank’s issuing to the enterprise’s borrower, which takes the borrower’s real estate, land and other real estate as the mortgage, and the borrower obtains the funds. The real estate mortgage is the most used financing method for small and micro enterprises at present, absorbing the partner’s equity means that the partner contributes, and the enterprise’s shareholder de-
livers the equity, which is low-risk, but will disperse the shareholder’s control over the enterprise right.

1.2.2 External financing

External financing mainly includes financial leasing, bank loans and private lending. Financial leasing refers to that the lessor, according to the specific requirements of the lessee for the leased property and the supplier’s choice, makes investment to the supplier to purchase the lease item, and the lessee pays the rent to the lessor for lease use. Bank loan refers to small and micro enterprises borrowing money from banks through mortgage, guarantee and other ways. The bank will loan funds to individuals or enterprises in need of funds at a certain interest rate, and return them at an agreed time limit. Private lending refers to the financing behavior of small and micro enterprises to other organizations, legal persons or natural persons with money or other securities as the target.

2. Financing path based on Internet finance mode

2.1 Financing path of small and micro enterprises under the Internet finance mode

2.1.1 P2P financing and its characteristics

P2P network lending refers to a kind of lending behavior that individuals or enterprises rely on the third-party network loan platform to match the interest rate and amount of funds, and finally reach a capital transaction. In P2P network lending, the borrowers and lenders do not need to contact with each other in reality, but only need to borrow through the third-party network platform. It is a new financial model developed with the development of the Internet and the rise of private lending, which is also the development trend of financial services in the future.

Firstly, compared with the traditional financing methods, the investment threshold of P2P financing is very low, and any small and medium-sized investment institution can participate in it; Secondly, the term and mode of P2P financing are very flexible, and borrowers can choose any time and way to finance; Thirdly, the efficiency of P2P financing is very high, and enterprises can often get loans in a few minutes.

2.1.2 Crowdfunding and its characteristics

Crowdfunding financing is a kind of financing method that project sponsors mobilize the public’s strength, concentrate on public’s funds, capabilities and channels, and provide necessary financial assistance for small and micro enterprises by using the spread of the Internet.

The threshold of crowdfunding is very low. Any small and micro enterprise with creative projects or potential inventions can raise funds from the public through the Internet platform. The scale and financial status of small and micro enterprises are no longer the standard to restrict enterprises to attract investment. The existence of Internet platform can mobilize private decentralized capital to participate in investment, but the amount of crowdfunding financing is generally low.

2.1.3 E-commerce small loan platform and its characteristics

E-commerce small loan refers to the financing mode that small loan companies provide credit loans to small and micro enterprises with capital demand through e-commerce platform according to their credit rating on the Internet.

The e-commerce platform rates credit of small and micro enterprises through big data and cloud computing technology. Small loan companies can provide financing according to the credit rating, which also reduces the credit default of small and micro enterprises. Moreover, under the operation of e-commerce platform, lending speed is faster, and small and micro enterprises can get financing as soon as possible.

2.2 Comparison between Internet financing mode and traditional financing mode

Through the comparison between Internet financing mode and traditional financing mode, it is found that many problems caused by traditional financing mode for small and micro enterprises have been improved. Small and micro enterprises have good ideas at the initial stage, but they are short of funds, so they can obtain public capital through crowdfunding. In the traditional financing mode, small and micro enterprises have higher requirements on enterprise scale and credit rating, but small and micro enterprises generally have higher risks, which leads to financing difficulties. The emergence of e-commerce small loan platform has solved this problem well. Moreover, the Internet financing
model is generally relaxed faster and small and micro enterprises can get financing in a few minutes without going through the procedures of traditional financing mode.

However, there are still many deficiencies in the Internet financing mode. For example, the financing amount of crowdfunding is low, which may not help enterprises tide over difficulties[9]. And the Internet financing mode is a kind of “pure credit” loan, which may increase the credit risk of the loan.

3. Analysis on the financing mechanism of Internet finance to small and micro enterprises

3.1 Coping mechanism of Internet finance to improve financing difficulties of small and micro enterprises

3.1.1 Coping mechanism of information asymmetry

Under the traditional financing mode, financial institutions often do not collect enterprise information, lack of understanding of the business and financial conditions of enterprises, and banks dare not lend to small and micro enterprises; when small and micro enterprises are generally in the establishment stage, and they lack understanding of market information, so they cannot choose the best financial institutions for loans. In the Internet financial model, the Internet financial platform has a strong ability of information collection and collation. Both sides can know each other to decide whether to finance or not. The data under the Internet financial model is transparent, which greatly improves the financing information asymmetry of small and micro enterprises.

3.1.2 Coping mechanism for lack of collateral

In the traditional financing mode, mortgage loan is the most important financing mode, but the scale of small and micro enterprises is generally small, and the assets that enterprises can mortgage are relatively scarce, so it is difficult to get loans. In fact, in the final analysis, due to the lack of information transparency of small and micro enterprises, banks and other financial institutions cannot effectively evaluate the credit status of small and micro enterprises. The emergence of big data and cloud computing under the Internet financial model has changed the past evaluation standards of enterprise credit status. Internet financial institutions can evaluate credit according to the daily behavior of small and micro enterprises, effectively improving the problem of small and micro enterprises lacking collateral.

3.2 Optimization and suggestions on financing path of small and micro enterprises based on Internet finance

3.2.1 Strengthening market supervision

Internet finance has been developing rapidly since 2011, but the supervision of Internet financial platform in China is not perfect. China should establish and improve the access system of Internet financial platform, strengthen the supervision of Internet financial mode, and take targeted guidance for Internet financial institutions. Enterprises that do not conform to the access system are not allowed to enter. In the daily operation, we should also carry out daily management and supervision of the platform, track the business scope and operation ability of the enterprise, and avoid the occurrence of financial risks afterwards.

3.2.2 Improvement of the credit system

China should establish a credit risk evaluation system for small and micro enterprises, allow the Internet financial platform to be included in the credit reporting system of the central bank, so that the data between institutions can flow effectively, and the exclusive credit rating of small and micro enterprises should be established. After the central bank’s credit reporting system allows Internet financial platform access, the credit information of small and micro enterprises will be better exchanged and supplemented among the platform, credit reference system and traditional financial institutions, and promote the efficiency of resource allocation[4].

3.2.3 Increasing government support

Although China has issued a lot of policies to support the development of small and micro enterprises, the state, including the local government, has no service agency specifically for small and micro enterprises[5]. For example,
Hong Kong has five service organizations for small and micro enterprises. China should also establish diversified service organizations for small and micro enterprises and improve the government’s policy system for serving small and micro enterprises.

4. Conclusion

With the rapid development of Internet finance, the financing difficulties of small and micro enterprises in the past have been improved. Big data and cloud computing technology of Internet platform enable small and micro enterprises to get more financing faster. The rapid development of Internet finance has brought gospel to the development of small and micro enterprises, and indirectly promoted the innovation and development of the financial industry. At the same time, the emergence of Internet finance also stimulated the traditional finance, forced the reform of traditional finance, and made the traditional finance develop better[10]. Although the development of Internet finance has improved the financial services obtained by small and micro enterprises, there are still some defects in Internet finance, such as lack of market supervision, imperfect governance structure and lack of funds. Compared with traditional financial services, it is still very small. The state should establish and improve the service supervision of Internet finance on small and micro enterprises and establish relevant financial institutions to make small and micro enterprises get better development and broader prospects.

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