Financing of Small and Medium Enterprises Based on Internet Finance

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Abstract. To provide reference for alleviating the shortage of funds in small and medium-sized enterprises, the financing of small and medium-sized enterprises based on Internet finance was explored. Firstly, the current situation of small and medium-sized enterprises financing in China was expounded. The bank loans of small and medium-sized enterprises are still in a relatively low position compared to the proportion of bank loans of large enterprises. Then, the new opportunities under the Internet finance were discussed, and the currently popular several mainstream Internet finance models P2P, crowd financing and big data financing were introduced. Finally, taking Ali small loan platform and Shengda online lending platform as an example, it was proved that Internet finance was feasible as an enterprise financing tool. The results showed that it could provide experience for Internet finance to solve other industries' financing difficulties. To sum up, the development of Internet finance has the characteristics of sustainability, and has the potential to be the main financing tool for small and medium-sized enterprises.

1. Introduction

Under the circumstances of economic downturn, the development process of small and medium-sized enterprises not only needs to solve business difficulties, but also to solve a serious problem of insufficient funds. For a long time, China's financial system mainly serves the government project of large and medium-sized enterprises. In the arrangement of capital loans, it tilted seriously and small and medium-sized enterprises are limited to small enterprise scale, weak technical ability, not standardized management, low market competitiveness and so on factors. Therefore, they often faced the strict qualification examination by lending bank and higher interest rate and, there is a certain degree of difficulty and risk. The traditional financing method has been difficult to meet the demand for financing of small and medium-sized enterprises [1]. At present, with the rapid development of Internet in China, Internet finance has shown great influence in solving the financing difficulties of small and medium-sized enterprises. With the further development of Internet finance, there will be new and effective solutions.

The difficulty of financing for small and medium-sized enterprises is one of the key fields of academic research at home and abroad. All of them have analysed the causes and solutions from different angles [2]. In this paper, on the basis of referring to others research results, in accordance with the reality of the financing environment, the characteristics of small and medium-sized enterprises and
the rapid development of the Internet, it is pointed out that the technology progress, as the basis for the
development of Internet banking, solves the traditional lack of information, poor circulation, information
subject to the regional limit and other factors. More important, the traditional industry, with the help of
Internet, realizes the industry information dissemination, industry trade networking and industry trading
network finance development trend. For Internet research, we can see the application status of Internet
financial typical mode and future space. How to combine our national conditions better and provide
more effective solutions will become the problem to be discussed in the next period of time.

2. Methodology

2.1. Analysis of the financing situation of small and medium-sized enterprises
The development process of small and medium-sized enterprises can be divided into four stages: seed
stage, initial stage, growth stage and maturity stage. The development goals of small and medium-sized
enterprises at different stages are different. There are different ways and channels to fund demand and
financing, as shown in the following table [3].

Table 1. The main financing ways and financing channels at different stages of small and medium-sized enterprises

| Development stage | Financing modes | Financing channel |
|-------------------|-----------------|-------------------|
| Seed stage        | Equity financing mainly | Direct investment, government support funds, venture capital, angel investment and private lending |
| Initial stage     | Equity financing mainly and supplemented by debt financing | Direct investment, government support funds, venture capital, private lending and bank loans |
| Growth stage      | Equity financing and debt financing | Bank loans, internal retained earnings, shareholders raising funds, issuing stocks, bonds and attracting new investors |
| Maturity stage    | Equity financing and debt financing | Multiple financing channels |

Table 2. Statistics of the amount of loans for small and medium-sized enterprises in the last three years

| Years | Enterprise loan balance | Loan balance of small and medium-sized enterprises | Proportion |
|-------|-------------------------|-----------------------------------------------|------------|
| 2016  | 55.75                   | 17.40                                         | 31.20      |
| 2015  | 50.87                   | 15.47                                         | 30.40      |
| 2014  | 44.94                   | 13.22                                         | 29.40      |

Although China has gradually attached importance to the financing needs of small and medium-sized
enterprises, in the process of practice, the loan of small and medium-sized enterprises is still in a
relatively low position compared to the loans of large enterprises, and the preference of bank loans is
still obvious, as shown in Table 2.

2.2. New opportunities for small and medium-sized enterprises financing under the Internet Finance
P2P (peer-to-peer), in a broad sense, includes both personal-to-personal lending transactions, as
well as the individual's concept of financing for the enterprise [4]. Since the birth of the first domestic
pattered loan in 2007, the P2P platform has become the fastest developing mode in the Internet financial
field. Figure 1 is the development statistics of the PSP net loan platform in China.
Crowd funding refers to the Internet integration mode that connects the project sponsor and investor through the online platform, and raises the amount of the pre-set fund within the specified time range [5]. By the end of 2016, in terms of our congregation raised platform, the total number has reached 116, the amount of crowd funding is more than 900 million yuan, showing an accelerating upward trend, of which the first 15 platforms occupy the major number of items, as shown in Figure 2.

Big data finance takes advanced technology as the basis, collects transaction data, user behaviour data and other information through the website and analyses data with the help of data analysis and data mining technology. It also helps electronic business platform to grasp website enterprises customer transaction amount, trading volume, trading frequency and other information, more accurately predicts
consuming behaviour of industry customers and evaluates the website customer management status [6].

E-commerce small loan represented by Ali and Jingdong finance has developed rapidly. By the end of 2015, the number of small loan accumulative merchants for Ali was 642 thousand. The total amount was 172.2 billion yuan, and the Jingdong finance completed 1 billion yuan loan only in the first month of 2016 [7].

Small and medium-sized enterprises have effectively alleviated the financing difficulties with the help of the Internet financial mode. However, the mainstream Internet financial platform mostly exists in the form of intermediary services, lacking deep involvement in the industry value chains, which is not conducive to the sustainable development of Internet finance [8]. Therefore, this paper believes that the integration of Internet finance and industry will be more conducive to break through the difficulty of financing for small and medium-sized enterprises.

3. Results and discussion

This paper analyses the feasibility of Internet finance for small and medium-sized enterprises by taking the financing of the Ali loan platform and the "Shengda" network lending platform as example.

3.1. Ali small loan platform

Ali small loan company financing services for SMEs mainly through two ways: one is Taobao loan, that is, online micro credit business; the other is Ali loan, that is, offline credit loan business. The business objects of Taobao loan business are Taobao and Tmall merchants. Because these customers online complete their business, Taobao loan business is also completed online. According to the audit of credit qualification of Taobao, Tmall and so on merchants, Ali finance audits various aspects, including time limit, transaction information, and capital flow and so on. Once the business meets the small loan requirements, small loan platform service interface will automatically grant permission. When merchants have loan demand, we can directly submit the application and the successfully applied loans will be paid directly to businesses through Alipay account. In the loan application under 500 thousand, all the application audits are identified by the computer.

Taobao loans are divided into "order loan" and "credit loan". The loan order, as the name implies, when merchants have shipped goods to the buyer but the buyer has not paid, businesses can evaluate the transaction information and apply for order loans to Ali small loans. The amount of orders can be credited to the number of loans, the upper limit is 1 million yuan, the loan period is 30 days and the daily rate per day is 0.05%. Credit loan does not need any collateral. It only requires merchants to submit their applications based on their credit records on the platform. Ali finance will decide whether to lend or not based on the actual operation of the business, historical credit and other information. Similarly, the upper limit of credit loans is 1 million yuan, but the loan cycle reaches half a year, and the daily interest rate is also high, reaching 0.06%.

Whether Ali is able to serve the financing needs of small and medium-sized enterprises for a long time also depends on whether it can effectively control the debt repaying level of the platform loan. Ali small loan has achieved a good control of the debt repaying rate. To do this, we cannot get away from the unique credit rating system developed by Alibaba with the advantage of platform. Ali small loan has a perfect credit system and it can rely on the huge trading user data of Ali group, and once these data are developed, the accuracy of credit information can even exceed that of the central bank's credit reporting system. On the basis of the detailed user information, Ali small loan has developed the core system of the credit audit. Through this set of audit system, Ali small loan realized the monitoring of the function, direction, use and return whole process. After the loan is issued, Ali small loan will be monitored in real time on all aspects of the borrowing enterprises with the help of Ali's own platform. When Ali small loan encountered business difficulties due to product sales and other problems, Ali small loan can take advantage of the advantaged trading platform to help businesses tap the right buyers and make efforts to help these enterprises restore the normal operation of the business, which not only protects the loan, but also promotes the reputation of the platform.
3.2. *An example of "Shengda Food Factory" Internet financing*

"Shengda Food Factory" is located in the delta of Xiapu County, Fujian, China, which is an enterprise of food and beverage. It is an enterprise approved by the relevant state departments. With the continuous expansion of the company's market, the relatively old rental plant limited the further development of enterprises, becoming the problem that Mr. Lin, the boss of Shengda, expected to solve the most. But because "Sheng Food Factory" is a personal business, the boss Mr. Lin, in the long course of the operation, did not establish a more in-depth cooperation with local banks, and the fair value of the plant did not reach the bank collateral standard, so the loan application was refused. It was unable to get credit from the credit union, and then Mr. Lin wanted to submit a loan application to the "pleasant loan". He applied for an account on the official website and submitted a 500 thousand yuan loan application. One day later, he got the contact of the "good loan" staff, and then carried out the offline investigation of the repayment ability and repayment willingness. In the end, according to Lin's borrowing conditions, only 6 days, it was full scaled with a 24-month loan term and 11% annual rate of interest. Although the loan rate is higher than that of the bank, Mr. Lin eventually financed the capital for its own small businesses to expand reproduction.

4. Conclusion

First of all, this paper expounds the financing status of small and medium-sized enterprises in China. At present, the bank loans of small and medium-sized enterprises are still in a lower position relative to the bank loans of large enterprises. Then, the new opportunities under the Internet finance are discussed. Finally, this paper takes Ali small loan platform and "Shengda" online lending platform as an example to make a case analysis. It proves that it is feasible for the small and medium-sized enterprises to regard Internet finance as an enterprise financing tool. The development of Internet finance has the characteristics of sustainability, and has the potential to be the main financing tool for small and medium-sized enterprises.

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