Research on the Risk Management of the Online Supply Chain Finance

Hong LIN

Fuzhou University of International Studies and Trade, Fuzhou 350202, China
linhong_lynn@126.com

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Abstract. Online supply chain finance combines traditional supply chain finance with e-commerce, and it achieves Information synergy between banks and supply chain. It contributes to improve the security of bank credit and reduce the negative impact of information asymmetry through comprehensive evaluation of mass information and data online. But the development of online supply chain finance also has its new risk, the risk management should not be ignored. This paper proposes that we should strengthen the risk management from four aspects: building a scientific credit evaluation system, developing detailed operational processes, strengthening cross regional and cross-border cooperation, strengthening supervision and early warning mechanism construction.

Introduction

Online supply chain finance is the advanced form of the development of supply chain finance. It is a new financing mode based on the rapid development of e-commerce and the development of enterprise information management. Online supply chain finance bases on the platform of network, realizes the information cooperation between banks and enterprises, and make the huge flow of information, logistics, capital communicate smoothly. The bank provides capital to the small and medium-sized enterprises (SMEs) relying on the real supply chain transactions. This operation mode can effectively alleviate the financing difficulties of the SMEs, and reduce the credit risk of bank, achieve a win-win situation between banks and enterprises.

At present, the common online supply chain finance platform is mainly built by the bank or the third party online trading platform. Relatively speaking, the third party online trading platform is commonly used in daily by the enterprise, and it wins more data about the flow of information, logistics, capital, so the online supply chain finance based on the third party online trading platform is developing rapidly. This paper mainly makes the third party platform of the online supply chain finance as the research object.

Online Supply Chain Finance Model

The SMEs, are the mainly participants of online supply chain finance. Economically, the form of SMEs is the most dynamic the form of enterprises, and transforming and upgrading rapidly. But at the same time, the SMEs also faces many problems, such as the scale is small, the management is not standardized. And they have to face the current situation of difficult financing, expensive financing. The capital is the life of the development of enterprise. The funding problems hinder the rapid development of SMEs conversely. The appearance of supply chain finance has improved the financing situation of SMEs, relying on the core enterprises in the supply chain, with the real trade between the upstream and downstream as the background, so that SMEs can get credit by the bank. Online supply chain finance not only solves the financing problems of SMEs, but also reduces the risk of bank.

Accounts Receivable Financing Model

Accounts receivable is produced in the sales phase of the product or raw material. Buyers and sellers carry out transactions through the online trading platform. All the information on both sides
of the transaction information, goods logistics information and the buyer to confirm receipt information can be seen through the platform. On payment, the buyer chooses credit payment, and transfer the funds pressure of their own to the seller. The seller can make the account receivable as collateral, apply for bank credit support on line in order to solve the financial problems in the development process. Banks rely on the platform of the transaction information to give credit, the credit according to transaction can also reduce the risk of non-performing loans of banks.

**Electronic Order Financing Mode**

Order financing mode is based on the electronic order of the enterprises in the supply chain to get the supported of bank's credit. Downstream enterprises send issue order information to the upstream suppliers, the suppliers confirm the order information, the two sides reached an agreement on the order. Then the bank provides credit according to the electronic order information for suppliers. So that the suppliers will be able to solve the problem of fund shortage in the process of production. The principal and interest is pay by the payment of goods when the suppliers delivery the loans. In order to reduce the risk, the bank also needs to assess the ability of credit and debt of the downstream enterprises.

**Inventory Financing Model**

Inventory financing refers to the financing mode that supply chain enterprises make its inventory supervised to get the application for credit support. Generally, the third party logistics enterprise play the role of warehousing party which is accepted by the bank will take the job. Inventory financing model also requires the participation of the third party assets appraisal enterprise. The third party assets appraisal enterprise assesses the value of the stock, give an assessment price, and then the bank determines the line of credit based on it. When the inventory mortgage is sold, the third party logistics enterprises are responsible for the transportation. The enterprises then sell the goods and repay the bank loans. In addition, in the inventory financing mode, enterprises can also purchase raw materials or semi-finished products as collateral for bank credit, the bank according to the purchase order information to provide funds for the enterprises to alleviate the financial pressure on the purchase link. When the procurement of raw materials or semi-finished products are finished, as required should be supervised by the warehousing party bank approved, and transported by the third party logistics enterprise, and ultimately repay the principal and interest of the bank by the product sales fund.

**The Risk Identification and Analysis of Online Supply Chain Finance**

With the development of the Internet, the process of business has achieved electronic, digital and network. Online supply chain finance emerges, online development has also brought new risk of operation and regulatory. The risk management and control of online supply chain finance can not only promote the better development to it, but also is an urgent demand of economic development.

**The Risk of Data Authenticity**

The risk of data authenticity includes the authenticity risk of the electronic order and the electronic document, including the contracts, documents, documents and other materials produced in the electronic commerce transaction process. The authenticity of online electronic order is the base of supply chain finance.

In order to decide whether or not to grant credit and the credit amount, the bank needs to examine and verify the information of orders, the bank also needs to evaluate the quality, business risk, solvency, credit and so on of the enterprises according to the documentation provided by the enterprise and online data. And all these are completed online. As a result, the authenticity of online data will directly determine the bad debt ratio during the bank's participation in the online supply chain finance.
The Risk of Operation

The risk of operation is mainly reflected in two aspects. Firstly, the operational risk of bank staff. Both the participant of the online supply chain finance and time efficiency put forward higher requirements to the bank staff. The possibility of non-standard operations, operational errors have also increased in the process of data audits and credit online. Secondly, the cooperation risk of banks and logistics enterprises. The participants of the online supply chain finance are geographical dispersion, the electronic order for financing and inventory financing can not carry out without the third party logistics enterprises, therefore, the risk of cooperation between banks and logistics enterprises increase.

The Risk of the Stability of Supply Chain

Online supply chain finance has the characteristics of self compensation. So the healthy and stable development of the supply chain is very important to the bank's credit risk. First of all, the health and stability of the core enterprise is the basis of supply chain development. Secondly, the production capacity and production level of financing enterprises determines the quality of products, also determine the financing enterprises successfully complete the order whether or not. as a result the cooperation relationship between core enterprise and other enterprises in the supply chain and the risk of the breakdown of the supply chain should be concerned.

The Risk of Enterprise Credit risk

Loan demand is mostly put forward by SMEs during the operation of online supply chain finance. The risk of bank lending money has increased due to these reasons. First, the SMEs faces greater uncertainty while survival and development than large enterprises. Second, the cost of default is low for the SMEs. Third, the credit level and the performance is relatively poor by SMEs. All these have restrict the development of online supply chain finance.

The Risk of Market Price

Market price risk includes final product market risk and raw material market risk. In the purchase order financing and prepayments financing mode, bank credit happened before the sale of the product. And the credit line references to the current transaction price. If the price of product or raw material market fluctuates, or if the standards of products or raw materials change, the safety of lending funds will be affected directly.

The Strategy of Risk Management of Online Supply Chain Finance

Constructing a Scientific Credit Evaluation System

The core enterprise is the main source of credit in the online supply chain finance, plays a decisive role for credit. Therefore, the identify and the evaluation of core enterprise is crucial. A complete supply chain is composed of many enterprises, the standards of identifying the core enterprise should be strictly control from the aspects of importance, ability, development prospects, and the relationship between the upstream and downstream enterprises. At the same time, comprehensive evaluation of core enterprise’s business operations, financial status and market prospect, verifying whether the core enterprise is willing to participate in the online supply chain finance. The credit evaluation of financing enterprises is also very important. The assessment should be launched from the production capacity, production level, solvency and other aspects of financing enterprises.

Develop Detailed Operational Procedures

Because of the high financing frequency and fast loan financing, the online supply chain finance has been rapid development, more and more enterprises have participated in it, and it also put forward higher request to the bank staff. Therefore, banks should strengthen the team construction, detailed and specific operating procedures will improve the operation level and service level, and reduce the risk of improper operation, unfamiliar business and so on.
Strengthening the Cooperation Crossing Regional and Cross-Border

Online trading platform not only brings together upstream and downstream enterprise financing data, but also grasp series of flow of management information and capital information about upstream and downstream enterprises. By a series analysis of data, can improve the understanding of market changes, it calls for both banks and enterprises on the supply chain should strengthen cooperation. In addition, it should strengthen the cooperation with experts, industry associations, predict and evaluate the development and the prospect of industries accurately. It can not only promote the supply chain better and more stable, but also can reduce the risk of bank credit. In addition, the inter regional cooperation among banks, third party logistics companies, and the third party asset evaluation agencies should be strengthen. Establish a close and mutually beneficial partnership to protect the smooth implementation of online supply chain finance.

Supervision and Early Warning Mechanism Should Be Strengthened

Online supply chain finance is a great challenge to the supervision system and supervision level of the bank. Because of there are more participants, the bank needs to supervise the bank financing enterprises, the core enterprise, as well as the stability of supply chain and prospects of the industry. Therefore, banks should make full use of the data, using the method of statistical analysis, etc., analysis for big data. Then, strengthen the sharing information with online trading platform, the third party logistics enterprise, design efficient and reliable monitoring system and early warning mechanism, find problems and potential risk in a timely manner, response timely.

Reference