Analysis on Financing Problems of SME in Internet Finance Mode

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Abstract. As an indispensable part of the financial development of the new era, Internet finance is of great significance to the financing of small and medium-sized enterprises in China. But the Internet finance mode is like a double-edged sword, which brings many problems to the financing of SME. This paper analyzes the financing problems of SME in Internet finance, and puts forward suggestions to improve the Internet financing of small and medium-sized enterprises in China.

Introduction

With the comprehensive popularization and rapid promotion of modern Internet technology, the economic development model combining Internet technology and finance has become the development direction of the active exploration of finance and business. P2P, the electric model of emerging financing platform with more symmetrical information, efficient and convenient fundraising lending and low funding costs become small and medium-sized enterprise capital chain "savior". The openness of the Internet has broken the geographical limits of capital. It links the supply and demand of funds in different regions and promotes the trans-regional circulation of funds. At the same time, convenient online borrowing has also raised the financing efficiency and effectively alleviated the financing difficulties of some small and medium-sized enterprises. The existing literature is mostly independent research on the financing of Internet finance and small and medium-sized enterprises. There is relatively little literature to combine the two. This paper combines the two, analyzes the role of Internet finance in financing the small and medium-sized enterprises and the main problems of financing the small and medium-sized enterprises in Internet finance, and finally puts forward relevant suggestions.

Advantages of the Internet Finance to Alleviate SME Financing

It Helps Solve Information Asymmetry

Under the operating mode of e-commerce platform, commercial banks can fully understand the operating conditions and credit records of enterprises. Commercial banks can use this as a standard for lending. At the same time, after obtaining the loan, the e-business platform requires the enterprise to record the funds of the loans, understand the trend of the enterprise, and give the latest information of the company to the commercial bank. This has realized the continuous updating and tracking of the information, reducing the degree of information asymmetry and alleviating the financing dilemma of SME to some extent.

It Helps Eliminate the Plight of Small and Medium-sized Enterprise Mortgage Guarantee

E-commerce platform is an important link between commercial Banks and small and medium-sized enterprises. It can effectively alleviate the problem that commercial Banks have difficulty grasping the information of enterprises, and solve the institutional constraint that traditional commercial bank loans need collateral to reduce the credit risk. This also reduces the threshold for small and medium-sized enterprises to obtain financing funds.

Big Data Analysis Helps Reduce Credit Risk

The Internet finance uses e-commerce platform to evaluate small and medium-sized enterprises through enterprise transaction data and transaction integrity, and establish risk early warning mechanism. It can predict the repayment ability and the willingness of repayment. It then lent
money to small and medium-sized businesses with high levels of ability to repay and trust. Some small and medium-sized enterprises that do not meet the conditions cannot get loans. For example, Alibaba has made a real-name certification of small and medium-sized enterprises through its own data platform, and accordingly made its assessment and forecast to decide whether to borrow or not. During the loan period, the company monitored the capital flow and usage of small and medium-sized enterprises, and monitored the enterprise through the platform after the loan. This solves the financing problem of some small and medium-sized enterprises. It also reduces the risk of credit and safeguards the interests of the platform.

The Problem of Financing of SME in Internet Finance Mode

Big Data Security of Internet Finance

The digitization of information in the Internet era brings people convenience and higher requirements for information protection. Because the electronic information is more replicable and propagating, once the information is leaked, it will have more serious consequences than the traditional information leakage. Therefore, the data security of small and medium-sized enterprises in Internet finance mode is also a great challenge to Internet finance.

Credit Development is Immature, and the Network Loan Platform Risks High

P2P lending is a kind of Internet financing way which is fast and perfect. However, in the development process, due to lack of supervision, the P2P platform is a hybrid. Some P2P network loan platform data is not negotiable, opaque and lack of information management. The operation and operation of the platform itself, coupled with some security hidden dangers and lack of supervision of Internet network, lead to large risks of small and medium-sized enterprises' financing.

Shanghai Lujiazui International Financial Asset Trading Co., Ltd. can be regarded as a bellwether for P2P lending in China. It combines Internet technology with global finance. It provides professional, efficient, convenient and safe investment and financing services for small and medium-sized enterprises by establishing a sound risk management system and perfect lending standards and procedures. But such a well-developed network financing platform, in March 2015, was reported to have a $250 million bad debt, which triggered a heated discussion. Its response to the rumor and its handling of the relevant business also led to a distrust of online platforms.

The phenomenon of "lu jin phenomenon" is the phenomenon of insincere operation in the industry. In particular, P2P platforms frequently "run off" to let the market lose confidence in the Internet finance industry.

Lack of Environmental and Policy Support

Environment is the soil on which enterprises depend. There are still many problems in the external environment of SME. On the one hand, in the transition from direct management to macro-control, there is a lack of innovative and feasible methods to improve the government environment needed for the development of small and medium-sized enterprises. On the other hand, the financing of small and medium-sized enterprises lacks the targeted laws and regulations, and there are still the phenomena of lawless, lax enforcement and judicial injustice. From the perspective of market regulation, the existing Internet financial market still has vicious competition, lacking orderly, stable market economy system and good social security environment.

In 2011, "roll call time" first introduced crowdfunding to China. In the early days of the establishment of the website, various publishing, film, music, design, technology, public welfare, personal activities can be released at the roll call time. But in its initial development, there’s no support from the government to encourage the development of network. Until 2014, the state attached great importance to the development of Internet finance and small and medium-sized enterprises, and introduced many encouraging policies. It was only three years after the roll call that it returned to the original network crowdfunding from the smart hardware.
The Financial Risks Facing Internet Finance are Difficult to Control

The first risk is the security risk. Whether the computer network technology is safe fundamentally determines whether the Internet finance operation is safe; what follows is technical support risk: in today's Internet, technology updated quickly. Seeking external technical support is the inevitable choice of development of the Internet financial business, but the Internet financial external technical support may not be able to fully satisfy the requirement of the Internet financial companies each; the third one is operational risk. Financial business over the Internet will constitute the Internet financial risk accumulation for a long time, and if the risks accumulated enough, it would have a fatal influence on the entire financial system.

Suggestions on Improving the Internet Financing of Small and Medium-sized Enterprises in China

We Will Strengthen Supervision over Internet Finance

Firstly, the enterprises that enter the Internet financial market should be strictly regulated according to relevant admittance regulations. In the process of supervision, they should follow the principle of "poor quality and inferior quality" to encourage and assist enterprises that are able to take financial risks in good faith. At the same time, the basic principles of "encouraging innovation, preventing risks, avoiding risks, and healthy development" should be strictly observed in enterprises that lack social credibility and risk. We should define the red line for the regulation of Internet payment, P2P, crowdfunding and other specific industries. We should work rationally with departments to clarify the responsibilities of all departments, supervise and manage the Internet finance, and ensure the safe and smooth operation of the financing of small and medium-sized enterprises.

Second, we must crack down on illegal and illegal practices. The industrial and commercial departments should clarify the boundary between illegal and legal innovation. On the one hand, we want to promote small and medium-sized enterprises implement to help "public entrepreneurship, peoples innovation" of the Internet financial to actively guide and encourage innovation, vigorously help, reasonable regulation, to provide them with the development of space. On the other hand, after defining the boundaries, we will not tolerate illegal fund-raising and fraud in the name of "Internet finance" and "innovation". But in the process of implementation, it will also prevent "one-size-fits-all" violence.

Third, we need strict exit mechanism. In the case of an undefined enterprise platform, the business license shall be revoked, the business license shall be revoked, the suspension of business shall be closed, and the punishment and publicity shall be carried out.

We Will Strengthen the Cultivation of Talents and Increase the Technical Input of Internet Finance

The cultivation of talents can not only improve the management level of the enterprise, promote the innovation of products and services, but can also increase the fresh blood of enterprises and promote the development of enterprise standard. Meanwhile innovative thinking opens up new financing ideas for enterprises.

Despite the rapid development of Internet technology, the technology of Internet finance in China is lagging behind. The basic construction of Internet finance is not complete. The combination of Internet finance and traditional finance and credit system is not close enough. Information and electronic data may leak. Therefore, we should increase investment in Internet technology, increase infrastructure construction, and learn to master specific operational technologies to ensure the safety of Internet financial data.

We Will Strengthen the Construction of the Internet Financial Credit System

Internet finance enterprises obtain credit information through data analysis of individual enterprises and share them through online platforms. The Internet financing platform makes loans based on corporate credit information. Therefore, we can improve the integrity system of small and
medium-sized enterprises, Internet financing platforms and commercial Banks by means of real-name system, integrity file, national networking and internal and external supervision. At the same time, we should increase the moral publicity of good faith, reduce the borrowing of small and medium-sized enterprises, and the Internet financing platform and the "running road".

**Innovative Internet Financial Products and Loan Pledge Methods**

In the past, SME financing was mainly used for raw material purchase, infrastructure construction and fixed asset allocation. But with "made in China 2025", small and medium-sized enterprises have turned to research and development and sales. For the different needs of financing products, Internet financial products need innovation.

In addition to innovative Internet financial products, we should also innovate loan pledge methods, such as brand pledge, equity pledge and the pledge of intangible assets such as patent technology. Yixin, the country's largest P2P lending consulting service, is offering a short-term mortgage loan, a way for car owners to take ownership of their own vehicles as collateral. It provides convenient and efficient financing channels for individuals with short-term capital turnover or financing. By accepting the car as collateral to reduce the risk of loan, the purpose of providing small and medium-sized enterprises with short-term small loans is realized. This is not only a relatively high level of financing, but also the convenience of simple repayment and a new possibility of financing for SME.

**References**


