Research on Financing Mode of Small and Micro Enterprises in Internet Financial Environment

Hong JI¹ and Yuan-yuan YU²,*

¹Jiangxi Normal University Science and Technology College, China
²Jiangxi Normal University Business College, China
*Corresponding author

Keywords: Internet finance, Small and micro enterprises, Financing model.

Abstract. In recent years, small and micro-enterprises flourish and become an important part of China economic development. However, information asymmetry and transaction costs have always affected the development of small and micro enterprises. The emergence of Internet finance just solves the problem of financing difficulties. By using cloud computing, big data and computer technology, we can broaden the financing channels of small and micro enterprises, thus reduce the information asymmetry and transaction cost, and become a new way of financing for small and micro enterprises. This paper divides the financing mode into crowd-funding platform financing mode, P2P platform financing mode, internet financial portal financing mode, analyzes the Internet finance and small and micro enterprise financing, and proposes countermeasures to promote the financing development of small and micro enterprises.

Introduction

China has a large number of small and micro enterprises, which play a pivotal role in China's economic development. However, in the process of development, there are problems such as information asymmetry, weak enterprise strength, financial irregularities, high financing costs, and high financing risks. Internet finance has effectively alleviated these problems. Internet Finance (ITFIN) is an organic combination of Internet technology and financial functions, relying on big data and cloud computing to form a functional financial format and service system on an open Internet platform. On the one hand, it will reduce the impact of banks on traditional small and micro enterprise financing models, on the other hand, it will improve the financing success rate of small and micro enterprises, and reduce financing risks and costs, and is of great significance for alleviating the financing difficulties of small and micro enterprises.

Analysis of the Mode of Small and Micro Enterprise Financing under the Internet Financial Environment

Internet finance uses Internet technology and information and communication technology to combine traditional financial industry with Internet technology. Due to the financing difficulties and expensive financing of small and micro enterprises in China, Internet finance can be used to alleviate these problems to some extent. This paper selects four financing models for analysis, namely: crowd-funding platform financing model, P2P platform financing model, internet financial portal financing model.

Crowd-Funding Platform Financing Model

Crowd-funding is divided into three main players: sponsors, supporters, and platforms. It’s a financing model that the initiators use the Internet and SNS propagation characteristics to collect public funds, capabilities, and channels to conduct activities, projects, or starting a business to provide the necessary financial assistance for small and micro enterprises or individuals. Compared with the traditional financing mode, it is a breakthrough with various forms, high innovation, low
threshold and high financing efficiency, which enables small and micro enterprises to fully demonstrate their project advantages and development potential.

The specific operation process of the crowd-funding model is as follows: First, the project sponsor organizes the data according to his own creativity and funding needs, submits the project to the crowd-funding platform, and accepts the audit; second, the fundraising platform confirms the identity of the project sponsor and is responsible for reviewing the project; Third, after the approval, the financing platform will release the financing information to the online platform for display and publicity, and the project information needs to be detailed to ensure the authenticity and effectiveness of the project. Fourth, the project supporters choose Sino-Italian project according to their actual conditions, and invest in the project within the specified time, and obtain corresponding returns.

**P2P Platform Financing Model**

P2P financing mode refers to small loan transactions between different network nodes. Individuals or enterprises use the independent third-party network platform to match the borrowing and lending of funds, and the P2P network credit platform acts as an intermediary platform to help lenders and lenders establish lending. Relationship and complete the relevant transaction procedures, the borrower issues the borrowing standard on the platform, and the investor conducts a direct-to-individual direct credit model for bidding to the borrower. The transaction method is more flexible than other financing modes. The borrower can release the loan information by himself and decide to borrow the amount to realize self-service borrowing.

The specific operational process of P2P financing is: First, small and micro enterprises publish financing demand information on the financing platform according to their actual conditions, and search for eligible lenders; lenders choose higher projects with their own investment expectations, interest rates, returns, etc. in P2P financing platform. The two can communicate through the Internet platform and initially reach a cooperation intention. Second, the P2P financing platform should review the repayment ability, loan qualification, and creditworthiness of small and micro enterprises. Third, after the approval, the small and micro enterprises and the lenders signed an electronic contract according to the platform regulations, and the online loan project came into effect. Fourth, the small and micro enterprises can repay the loans in the form of repayment of principal and interest or monthly repayment of interest, and the platform receives financing returns.

**Internet Financial Portal Financing Model**

The Internet financial portal refers to the Internet financial portal platform that brings together the financial products and products of various financial institutions. Small and micro enterprises can select appropriate financial services according to the financing demand information provided by the platform and their own needs. This financing model makes full use of the analyzability of data and provides a new model for financing small and micro enterprises.

The specific operation process of Internet financial portal financing is: First, small and micro enterprises publish their own financing needs on the Internet financial portal. Second, the Internet financial portal selects appropriate financial institutions for financial products based on the financing needs of small and micro enterprises. Third, small and micro enterprises conduct vertical analysis based on the data provided by the Internet financial portal, and select financial institutions that meet their own needs for financing. Fourth, the Internet financial portal will match small and micro enterprises with financial institutions, and small and micro enterprises will be financed.

**Strategic Choice of Small and Micro Enterprise Financing in Internet Financial Environment**

At present, Internet finance is developing rapidly, and the state has also introduced relevant policies to support the development of small and micro enterprises. However, there are still many factors that cause small and micro enterprises to overcome financing difficulties. Therefore, solving the financing dilemma of small and micro enterprises is a complex and systematic project. To give full play to the
positive role of Internet finance in solving the financing difficulties of small and micro enterprises, we must work together from many aspects on the basis of facing up to the problem.

**Establish a Legal and Regulatory System**

Yudong Yao of the central bank pointed out that the barbaric growth stage of China's Internet finance industry is nearing completion, the number of new platforms is gradually declining, industry risks are in the stage of concentrated outbreaks, and many Internet platforms have the phenomenon of fund-raising fraud and violation of regulations. For Internet financial institutions, in accordance with the functional supervision ideas, by establishing and improving corresponding systems and regulations, bridging the regulatory gap, and forming a comprehensive and efficient supervision system, it will be more effective in supporting the development of small and micro enterprises, so the government should improve Internet finance laws. The legal system achieves a win-win situation for the development of Internet finance and small and micro enterprises.

**Improve the Corporate Credit System**

Information asymmetry is the fundamental reason for the financing difficulties of small and micro enterprises. The problem of Internet finance to solve the financing difficulties of small and micro enterprises is based on big data and cloud computing, based on credit analysis of financing enterprises, and deep mining through massive data. Screening the real teasing situation of borrowers, reducing credit risk, ensuring the interests of investors and financing platforms, thereby reducing information asymmetry and alleviating the difficulty of financing small and micro enterprises. Therefore, as the relatively complete and complete data of small and micro enterprises, the People's Bank of China should open the credit information system to Internet financial enterprises, which is a key link to solve the bottleneck of Internet financial "big data". At the same time, the government should establish a “big data” hierarchical management system, draw a clear line of “big data” level according to law, national strategic level data is strictly forbidden, private data is strictly confidential, full respect for personal privacy, commercial-grade data for payment, public Level data is disclosed and shared.

**Sound Risk Control Mechanism**

The Internet financial environment has certain credit risks, post-loan management risks, financial risks, etc. This series of risks affects borrowers and investors. It is necessary to strengthen the classification of small and micro enterprise loan risks and the disposal of non-performing loans, formulate a differentiated asset quality classification method for small and micro enterprise loans, and formulate a special policy for non-performing loans, and establish a quick write-off channel for non-performing loans for small and micro enterprises that meet the written-off conditions. Speed up the frequency and progress of the write-off. In addition, Internet finance itself still has problems such as security and comprehensiveness. Therefore, the Internet financial financing platform should strengthen risk management and improve the risk management organization structure of enterprises.

**Summary**

The emergence of Internet finance has broken the traditional financial business model, especially the impact on China's commercial banks. The era of banks relying on deposit-loan spreads to obtain stable returns has passed, and the competitive pressure has made banks begin to reform and innovate. However, Internet finance and banking are not completely hostile, but they can use their respective advantages to cooperate and innovate.

This paper takes the financing of small and micro enterprises in the Internet financial environment as the research object, and studies the financing characteristics and financing process of the above three models. The following conclusions are summarized: (1) Internet finance has the characteristics of low cost, high efficiency, wide coverage and large development, which plays a major role in the financing process of small and micro enterprises, reducing the information asymmetry and transaction
costs of small and micro enterprises. Improve transaction efficiency. (2) Internet finance is the
inheritance and innovation of traditional finance, which broadens the financing channels of small and
micro enterprises, enabling small and micro enterprises to effectively combine various new financing
modes in the financing process. Based on the above research conclusions, this paper proposes three
countermeasures from the perspective of government, Internet financial enterprises and small and
micro enterprises. In the future research, we can start from the following aspects: (1) Through
in-depth analysis and investigation of some typical small and micro enterprises, we can
comprehensively grasp and summarize the status and experience of different types of small and micro
enterprise financing models at home and abroad for the Internet. And it can provide reference to the
innovation of financing mode for small and micro enterprises under finance. (2) Research on the
influencing factors of small and micro enterprise financing mode innovation under the Internet
financial environment, and then lay the foundation for the innovation of small and micro enterprise
financing mode under Internet finance.

Acknowledgement

This paper is one of the research results of The Research on Innovation of Financing Models of Small
and Micro Enterprises in China under Internet Financein The Research Project of the Science and
Technology of Jiangxi Provincial Department of Education.

References

of big data [D]. Beijing Jiaotong University, 2016.
[3] W. Liu, R. B. Zhu. Internet finance, small and micro enterprise financing and credit information
[4] T. L. Pi; T. Zhao, Internet Finance: Category, Innovation and Outlook [J], Finance and Economics,
2014, (6)
the era of internet finance [D]. Wuhan University of Technology, 2015.