Open Financing of TSMEs: Connotation, Characteristics and Model

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Abstract. The shared economic environment has changed the applicable boundaries of traditional financing models to some extent. Based on the perspective of platform theory, this paper redefines the connotation of open-end financing for TSMEs, and builds a multi-dimensional, multi-directional, and mutually beneficial open-funded theoretical model for TSMEs on the basis of summarizing its characteristics. Provide reference and basis for the financing difficulties of science and technology SMEs.

Introduction

Technological progress and innovation are the most enduring sources of economic growth. SMEs are an important boost to China's innovation-driven strategy, and their financing problems have severely constrained corporate development[1]. With the development of information technology, Internet tools have been widely used in the financial field, and new financing methods have emerged, such as P2P financing platform and supply chain finance. These seemingly “unreliable” informal finances make it possible for small businesses to obtain resources at low cost, and jointly contribute to China's economic growth[2]. It can be seen that the source of corporate funds in the new environment is no longer limited to the commercial banking, stock and bond markets. Some innovative financial products and services are well coupled with TSMEs. These innovative methods are based on the network, or form a network of intertwined investors, strengthen the risk dispersion mechanism and benefit distribution mechanism of TSMEs, and broaden the channels for small, scattered and personalized investment and financing services, forming a long tail advantage that is different from traditional finance[3], providing new ideas for solving financing problems. Moreover, by constructing a good financial ecological environment, it can help alleviate the “funding difficulties” of small and medium-sized enterprises and private enterprises, and improve the efficiency of financial resource allocation[4]. Based on this, this paper constructs an open-ended financing model for multi-stakeholders, online and offline, and analyzes its connotation and characteristics.

The Connotation and Characteristics of Open-end Financing of TSMEs

Definition

Internet finance is sought after as the third financial financing model[5] that is different from indirect financing of banks and direct financing of capital markets. This trend shows that the scope of corporate financing is more and more extensive, and the channels for alternatives are more diverse. When building a technology-based SME financing service system, the role of new finance based on the network cannot be ignored. Moreover, the financing service system is not a simple institutional superposition, but a financial support network with highly open, interactive and closely connected entities. For example, when there is a serious information asymmetry, the interpersonal relationship between the borrower and the investor plays a very important role in the success of the loan [6]. Therefore, improving the openness of enterprises and establishing extensive links with various participating entities is a feasible path for enterprises to obtain funds in the future. Based on the above analysis, this paper proposes the connotation of the open-end financing mode of TSMEs, that is, under
the background of increasingly active Internet finance, the multi-party entities are included in a circle to realize the integration and utilization of idle, decentralized and even small resources, which can reduce investment and financing costs, diversify investment and financing risks, and effectively alleviate corporate financing difficulties.

Characteristics

Diversification. Open financing is the re-development of traditional financing systems. With the help of information technology such as big data, it is characterized by diversified sources of funds: not only the supply entities under traditional financing methods such as banks, governments, funds, and enterprises; also includes financial support from the platform and the public investors. By pooling various idle and small funds, it can effectively make up for the shortcomings of the traditional model, and alleviate the problem of large enterprises financing and small enterprises cannot be financed.

Openness. Openness is open to everyone, low participation threshold, financing activities can effectively break through geographical barriers, and achieve resource mobilization within the entire network. Moreover, the close relationship between each other is as follows: the information flow and the capital flow between the various participating entities are mutually integrated, and the quality of information disclosure is high, and the cooperative relationship triggers the synergy effect of 1+1>2, which can help the enterprise solve the financing problem and enhance the hard power of the company.

Comprehensive. All-round means that the open financing mode runs through all stages of the development of TSMEs. With the changes in the life cycle, the company's own strength, capital needs, the external financing environment and investor sentiment are very different. According to the financing life cycle theory, enterprises should make reasonable financing arrangements according to their own development stage. For example, for the early stage of technology-based SMEs, companies can engage in endogenous financing or connect with risk-appropriate investors through online financing platforms. Enterprises in the recession will not give up financing activities. They can use the funds they have invested in new investments, to find profit growth points, and revitalize them.

High Efficiency. Compared with the cumbersome and time-consuming shortcomings of the traditional financing model, the open financing mode integrates traditional financing with network financing, and establishes a many-to-many network financing structure online and offline. Reduce the degree of information asymmetry between the supply and demand sides of funds through information disclosure and information sharing. At the same time, the application of new technologies such as big data and cloud computing can achieve precise and fast matching between nodes and greatly improve financing efficiency.

Risk Distribution. Open financing solves the situation that the traditional financing mode involving only two-factor financing entities cannot decompose enterprise risks, and is transferred to the financing platform, credit enhancement agencies, traditional financial institutions, and national financial regulatory agencies. At the same time of sharing the risks, the participants of the above financing platform obtained the corresponding risk benefits, which reduced the risks borne solely by financial institutions such as banks. And the fund provider can effectively cut the capital unit and put it on multiple financing platforms or provide it to multiple financing parties to reduce investment risks.

Theoretical Model of Open Financing for TSMEs

TSMEs

The technology-based SMEs are the capital demanders of the open financing model. With the financing platform to release the financing needs and the financing project overview, capital demand,
loan cycle and other information, enterprises can also screen the fund providers to meet their own needs. Get in touch with each other through direct dialogue and actively seek funding for development.

**Capital Provider**

The fund supply party mainly refers to the main body of capital that has idle funds and is willing to provide it to the development of TSMEs, mainly including the government, banks, institutional investors, and public investors. They can not only publish information such as investment willingness and risk appetite on the platform, but also understand the historical repayment status of financing companies, financing projects and intellectual property values through the platform, and decide whether to invest after the evaluation. Such a low-cost participation mechanism can stimulate the investment enthusiasm of the participants. While helping the company to expand financing channels and create more cash flow, it also enables itself to realize the re-revenue of idle resources and achieve a win-win or even more win situation.

**Platform Side**

The platform side is the network platform. By receiving and transmitting the financing information of both the supply and demand sides of the funds within the whole network, it makes the massive financing resources gather on the platform, providing more choices and references for the participating participants of the financing activities. Further, it uses technology such as big data analysis to achieve the optimal matching of financing needs, and plays a role as a bridge and link for TSMEs to get rid of time and space restrictions and effectively finance.

**Third-party Agencies**

Third-party intermediaries refer to third-party payment, insurance companies, guarantee companies, credit rating agencies, etc. When technology-based SMEs are financing, they may use intangible assets as pledges. These third-party intermediaries can use existing data for analysis, select some companies with good credit and good development momentum to guarantee. While reducing the risk of investment and financing, it directs funds to TSMEs.

**Regulator**

At present, China's credit mechanism is not perfect. To properly handle the interests of all parties involved, it is inseparable from the correct guidance and effective supervision of the regulator. The model adopts a mixed supervision method, which mainly includes the government's mandatory supervision, industry self-discipline supervision, platform-side management, and user supervision. Through the checks and balances of all parties, the credibility of information transmission is enhanced, and the efficiency of fundraising is improved.
Conclusions
From the perspective of platform, this paper proposes a new mode of solving the financing problems of TSMEs in the context of sharing economy--open financing mode, and through the study of the connotation, characteristics and theoretical models of the mode, we draw the following conclusions.

First, open multilateral financing is a symbiotic business ecosystem centered on the platform and formed by multiple entities including enterprises, science and technology, and finance. The close relationship between the various entities of the system and the real-time sharing of financing information have greatly solved the problem of information asymmetry, and realized the full utilization of idle resources, reducing financing costs, improving financing efficiency. And this mode can effectively alleviate the financing problems of enterprises and avoid the occurrence of malicious financing of enterprises.

Second, to solve the financing difficulties of TSMEs, we need the support of all parties. For example, the government should give full play to the government's guiding and advancing role in the construction of financial service system, continuously improve the incentive mechanism and policies of financial services, standardize the development of private finance, and encourage traditional financial institutions to carry out financial innovation. Furthermore, establish a sound social credit system to create a good environment for corporate financing activities.

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References


