

# Research on Smes' Financing Mode Based on Supply Chain Finance

Sun Ying

University of Jinan, Quancheng College, Yantai 265600, China

**Keywords:** Supply chain finance, Smes, Financing model

**Abstract:** Small and medium-sized enterprises play an important role that cannot be replaced in the process of economic development in my country, and the existence of small and medium-sized enterprises can also effectively help social stability, provide employment opportunities, and promote market prosperity. Despite this, SMEs are also facing many problems and difficulties in the development process, especially the current situation of financing difficulties for SMEs, which has caused SMEs to be seriously hindered in the development process. The reasons for this phenomenon include not only market environment factors, but also information asymmetry leading to an inappropriate credit rationing ratio, which ultimately led to many problems for SMEs in financing. Therefore, this paper studies and analyzes the financing model of SMEs from the perspective of supply chain finance, clarifies their existing problems, and finally proposes specific and scientific solutions strategies and opinions in order to solve the financing aspects of SMEs Problems, build a systematic and scientific financing model for SMEs.

## 1. Introduction

So far, my country's research on the financing of small and medium-sized enterprises has remained at the establishment of a sound financial support system, and can carry out the construction of relevant systems and provide universal recommendations and opinions from a macro perspective. It takes a relatively long time to use this strategy to solve the problem of financing difficulties for SMEs, and it also requires a lot of manpower, material resources and energy. Therefore, this article believes that in order to solve the problem of financing difficulties for SMEs as soon as possible and construct a relatively reasonable financing model for SMEs, it is necessary to use "supply chain finance" as an entry point to find stakeholders and participants in the credit market and let these Participants and visitors can help SMEs to share the various risks that may exist in financing as much as possible, which can ultimately ease the financing difficulties of SMEs.

## 2. Overview of Supply Chain Finance

Supply chain finance refers to providing comprehensive credit services to each enterprise in the supply chain from the perspective of the industry chain, and regards many enterprises as complete individuals, according to the various relationships between enterprises in the chain and the industry itself. To develop and plan corresponding financing schemes, which ultimately encourages enterprises in the supply chain to live up to corresponding funds. Supply chain finance is a flexible and effective financing model. In general, the trading relationship between buyers and sellers will be combined to form a supply chain, and when the bank participates in the supply chain, it will comprehensively consider all enterprises in the supply chain to further provide supply for all enterprises and links Chain financial services. Supply chain finance is mainly about the cooperation and cooperation of banks with the most core large enterprises in the supply chain, and the formation of a stable and long-term credit relationship with this large enterprise, and then to the other companies as the center Proliferate and develop personalized financial services.

### **3. The Potential Advantages of Supply Chain Finance in Solving the Financing Problem of Smes**

#### **(1) Lower the credit access standards of banks**

In the process of applying supply chain finance, commercial banks will first evaluate and inspect the credit and payment capabilities of large enterprises. On this basis, they will target the accounts receivable, inventory and small and medium-sized enterprises upstream and downstream of the supply chain. Advance payment and other pledge financing business. Traditional banks accept relatively little real estate. After innovating the bank's bills and collateral pledge business, banks have shown a trend of slowly accepting real estate pledges. In this context, the plight of many SMEs' insufficient mortgage guarantees is resolved, that is, banks can grant loans to SMEs; in addition, under the influence of structured supply chain financial services, ineffective reduction of bank credit access standards. In the past, banks attached great importance to the credit risk assessment of SMEs. SMEs must be required to have a higher credit risk rating to be able to borrow a certain amount of loans. After the development of financial services in the supply chain, the banks are conducting credit assessments or signing business contracts for large enterprises that have a cooperative relationship with SMEs and are at the core of the supply chain. Therefore, some SMEs will not be able to obtain bank loans because of their low financial indicators, and can obtain corresponding loans in accordance with the real order business of SMEs.

#### **(2) Alleviate the information asymmetry between banks and enterprises**

The existence of supply chain finance prompts banks to place small and medium-sized enterprises in the complete supply chain to examine the solvency and credit rating of enterprises. The information between enterprises in the supply chain can flow with each other, so each enterprise can basically deal with relevant information of the trading object, such as the amount of capital, profitability and reputation level. Banks can also relatively easily obtain the relevant information of these SMEs, and ultimately can control the potential risks that exist after lending; in addition, logistics companies in the supply chain also have extremely important value and role, which can effectively help reduce information errors. Contradictions. Logistics companies have a high degree of understanding of inventory-related information in small and medium-sized enterprises, and can also keep abreast of the changes in the inventory of small and medium-sized enterprises. On this basis, logistics companies have also become an important medium for communication between financial institutions and enterprises.

### **4. Analysis of the Main Financing Models Based on Supply Chain Finance**

#### **(1) Account receivable financing model**

This mode is mainly a way for enterprises to use their accounts receivables that have not yet expired to think of financial institutions as loans for financing. One is pledge financing of accounts receivable. The main reason is that the supply enterprise uses the debts of accounts receivable as collateral in order to obtain loans. When the supply enterprise fails or refuses to repay the loan, the bank can request the supply enterprise to repay all the funds. This financing model reduces the occurrence of SMEs escaping bank loans and reduces the risk of banks' lending out.

#### **(2) Bonded financing model**

This model is mainly based on the premise that the core large enterprises in the supply chain want small and medium-sized enterprises to commit to repurchase, and the small and medium-sized enterprises use the warehouse receipt in the established warehouse as a pledge to obtain the qualification and amount of bank loans. This is because small and medium-sized enterprises are in the downstream of the supply chain, but at certain times the core enterprises also need to pay the accounts in advance. If SMEs encounter difficulties in short-term capital flow, they can seek credit support from banks by means of tax returns and positions. This model requires not only the participation of banks, SMEs and large enterprises, but also the participation of logistics companies. The bonded warehouse financing model can alleviate the pressure that small and medium-sized

enterprises need to bear to a certain extent, and the core large enterprises in the supply chain have also guaranteed small and medium-sized financing, and greatly reduced the credit risk of banks.

### (3) The financing model of financing and warehouse

The financing model mainly refers to the integrated innovation model formed by combining finance and logistics. The main use of logistics services is to monitor and manage the liquid assets owned by enterprises, and the financial services are to provide loans and corresponding financial services to these small and medium-sized enterprises. Under the financing model of Rongtong warehouse, it includes two different modes, one is the vertical credit business; the other is the horizontal business mode. Such a model can help small and medium-sized enterprises to obtain corresponding financing in a short period of time, and at the same time can also share and transfer the credit risk of banks. From the perspective of supply chain finance, when SMEs use the financing and warehouse model to obtain financing, the bank is mainly to investigate the inventory of SMEs and the objects of long-term transactions and cooperation. At the same time, the entire supply chain industry Consider the actual situation of production and operation. In this process, third-party logistics also plays an extremely important role. The existence of the above-ground logistics is mainly to monitor and accept the pledges provided by SMEs, and to estimate the value of these pledges to help banks to carry out risk control; and the existence of third-party logistics has also successfully credited the banks Risk sharing and bear.

## **5. The Limitations of Supply Chain Finance in Solving the Financing Difficulties of Smes**

First, there are limitations to the supply chain financial conditions. The prerequisite for small and medium-sized enterprises to obtain bank financing is to conduct business transactions with enterprises, and then obtain the qualification of banks. By using the stable credit connection between large enterprises and banks and the high reputation level possessed by large enterprises themselves In this way, it can provide indirect credit guarantee for SMEs. Therefore, the bank loans that small and medium-sized enterprises want to obtain must cooperate with large enterprises and have a highly authentic and stable trading background. Therefore, there are still certain limitations in obtaining financing;

The second is that banks must support third-party logistics companies in developing supply chain financial services for SMEs. This is because logistics companies have higher advantages in freight forwarding, supervision of movable property collateral and value preservation, etc. At the same time, they can also provide relative credit guarantee services for banks, which can help banks reduce corresponding risks. However, the current logistics industry still has an immature phenomenon in the process of development. This phenomenon cannot share more borrowing risks for banks, nor can it provide effective business.

## **6. The Construction Strategy of Small and Medium-Sized Enterprise Financing Model Based on Supply Chain Finance**

### (1) Change the banking concept and increase financial support for SMEs

Commercial banks should have a long-term vision, change their development concepts, discover the future development of SME financing business, pay attention to the various financing needs of SMEs, and formulate corresponding credit support strategies and methods for the development characteristics of SMEs. As much as possible to help small and medium-sized enterprises stabilize cash flow, and then cultivate high-quality small and medium-sized enterprises to become potential customers of banks. In addition, we should pay more attention to the financing business of small and medium-sized enterprises in terms of target market position, and target some high-quality SMEs with reasonable cash flow, stable production and operation, and reliable credit as potential customer groups.

### (2) Formulate credit evaluation standards and loan management models suitable for the actual situation of SMEs

First, commercial banks should build a scientific and rational credit evaluation system for the

needs and reality of SMEs. In the past, when banks used credit evaluation, the standards adopted were basically unified, and SMEs could not fully meet these loan standards due to their own development. Therefore, we must actively adjust the credit standards and rating methods for SMEs. Pay attention to rating a certain business and transaction activity of SMEs, and take into account the future development prospects of the enterprise and the operating conditions in the industry chain;

The second is that commercial banks should reform and design the credit application process for SMEs. The financing needs of small and medium-sized enterprises are quite different from those of large enterprises. Due to the limitation of the scale and business of enterprises, small and medium-sized enterprises are more inclined to the needs of small loans, faster speed and higher frequency. In this way, banks need to approve existing credit the system was reformed, the corresponding approval process was reduced, the credit process was continuously optimized, and the effectiveness and quality of credit approval were continuously strengthened.

### (3) Innovate financial products and expand financing methods for SMEs

Commercial banks can innovate financial products and related services according to the needs and characteristics of small and medium-sized enterprises. According to the role of small and medium-sized enterprises in the supply chain and the credit situation of large enterprises, they design relatively flexible and targeted financing methods for small and medium-sized enterprises. Provide financing support to some small and medium-sized enterprises with good and stable supply, production and sales in the supply chain. For example, some small and medium-sized enterprises that have a cooperative relationship with large enterprises can provide these small and medium-sized enterprises with bill discounts and transfer of accounts receivable under the premise of authenticity and legality to provide diversified financing services.

In addition, you can change the repayment method and use the installment repayment method to allow SMEs to repay the loan. Such methods and methods are compatible with the repayment ability of SMEs and the characteristics of capital return.

### (4) Improve the risk identification and control capabilities of SMEs

Although SMEs in the supply chain have indirect guarantees from large enterprises, the investment risk level is still at a relatively high level. Therefore, small and medium-sized enterprises should control their own and cooperative counterparty information in a timely manner, so that they can apply for loans from banks on the premise of ensuring a solid and effective supply chain. And SMEs should also improve their own risk credit and meet bank standards and needs in a timely manner. The bank is to carry out post-loan management for small and medium-sized enterprises, timely detect changes in the repayment ability of the enterprise, prevent and solve possible problems, and ultimately effectively reduce the loan risk.

## **7. Conclusion**

Supply chain finance mainly relies on the credit of small and medium-sized enterprises and large enterprises that have a cooperative relationship with large enterprises in the entire supply chain as an important guarantee for financing, and also accommodates third-party logistics companies in this model, and then integrates small and medium-sized enterprises. The existing risk loans are greatly reduced. Banks effectively provide SMEs with corresponding funds from the perspective of the overall supply chain, and effectively alleviate the information asymmetry between banks and enterprises. Therefore, this article explores and studies the financing of small and medium-sized enterprises from the perspective of supply chain finance, conducts an in-depth analysis of various problems, and finally proposes feasible and effective suggestions and opinions. The ultimate purpose is to help solve Difficulties in financing difficulties for SMEs

## **Acknowledgement**

Research on the financing dilemma of SMEs in Shandong Province Based on the framework of financial mismatch (17CGLZ01).

## References

- [1] Zhang Shixiao. Innovation of SMEs' Financing Mode--Research Based on Industrial Agglomeration and Supply [J]. People's Forum, no.11, pp.79-81, 2015.
- [2] Lin Qing. A Study on the Financing Mode of Small and Medium-sized Enterprises in Fujian Province Based on Supply Chain Finance [J]. Journal of Xi'an Shiyou University (Social Science Edition), no.05, pp.19-25, 2015.
- [3] Wang Feng. Research on the financing of small and medium-sized enterprises under the supply chain finance model [J]. China Business Review, no.18, pp.74-77, 2015.
- [4] Xue Wenguang, Zhang Yingming. The impact of supply chain finance on the financing constraints of SMEs [J]. Finance and Accounting Monthly, no.26, pp. 86-89, 2015.
- [5] Gao Feng, Wu Qiao. Research on the financing model of small and medium-sized enterprises based on online supply chain finance [J]. Times Finance, no.15, pp.132, 134, 2017.
- [6] Wang Haiyang. Research on SME financing based on supply chain finance [J]. National Circulation Economy, no.34, pp.113-114, 2018.