Research on Supply Chain Finance in the “Internet+” Era

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Abstract: The essence of supply chain finance is to help members on the chain revitalize liquid assets. Up to now, the development of supply chain finance has gone through three stages. Based on the real economy, supply chain finance aimed at solving the difficulty of financing for SMEs has become a widespread concern. This article analyzes the characteristics and development characteristics of supply chain finance in the context of "Internet +", and draws the conclusion that Internet supply chain finance has broad development prospects, and puts forward relevant opinions for the healthy development of Internet supply chain finance.

1. Introduction

Financing problems such as excessive financing costs and a single financing channel have always been the bottlenecks that limit the sustainable development of SMEs in China. Due to their small size and weak ability to resist risks, the phenomenon of capital chain breakage is prone to occur in the daily business process. As a new type of financial financing, supply chain finance has a unique business model, which introduces the internal financial credit evaluation system and risk control system of supply chain. This not only breaks through a series of disadvantages of the traditional mode of financial lending, but also solves the financing problem that restricts the long-term development of SMEs by improving the credit level of SMEs. With the in-depth implementation of "Internet +" strategy, supply chain finance has achieved leapfrog development and presented a variety of development trends. How to deeply understand the evolution of supply chain finance, the difference between traditional finance and supply chain finance, and the opportunities and development of supply chain finance brought by the Internet are important theoretical topics that need to be explored.

2. Supply Chain Finance

2.1 Supply Chain Finance Connotation

Supply chain finance is a specific micro-finance category. It is not only different from traditional bank lending, but also different from other forms of financial activities such as venture capital. It is a comprehensive financial activity based on the industrial supply chain, which is based on the commercial flow, logistics and information flow in the supply chain operation and targeted at the participants in the supply chain. Supply chain finance emphasizes the relationship between competition and collaboration between upstream and downstream member companies. In the supply chain operation, the power of discourse is in the hands of the member enterprises with competitive advantages, who set the transaction conditions and rules. Its purpose is to optimize the financial supply and strengthen the industrial supply chain, and generate financial value-added by the operation of the industrial supply chain.

2.2 The Difference between Supply Chain Finance and Traditional Finance

Compared with traditional finance, the supply chain financial financing subjects are diversified, the financing conditions are flexible, and the degree of financial institution participation is high. Comparing the two models, we can see that:

1. In the case of traditional financing models, the cost of issuing loans is high and the risk is poorly controlled; supply chain financing actually solves the problem of payment trust within the scope of controllable risks by bundling responsibilities to powerful core companies and comprehensively granting credit. After the emergence of the platform, the problem of trust was solved through the guarantee and credit of the third-party platform. Taking Alipay as an example, it uses deferred payment to solve the credit problem.

2. In the case of traditional financing mode, financing enterprises bear high financing capital, complicated procedures and insufficient guarantee are prone to insufficient amount. Supply chain finance can effectively solve the problem of short-term liquidity shortage of funds of member enterprises in the chain. Different types of supply chain finance models can meet the short-term shortage of funds of different customers in different occasions.

3. In the case of traditional financing mode, the evaluation of financing enterprises is insufficient and the risk controllability is poor; and supply chain financing is a process of portfolio credit enhancement. Supply chain financing evaluates corporate credit based on the corporate balance sheet, cash flow statement and income statement that have been in use. This financing mode is characterized by the authenticity of trade, the self-compensation of capital and the controllability of transactions. At the same time, with the support of an excellent team, the company's credit greatly increase, reduce the financing risk and improve the financing capital.

4. In the case of traditional financing models, Banks play the main role in financing, but the role of Banks in supply chain finance has changed significantly. Banks used to rely on strict risk control systems to directly assess corporate credit. After the emergence of the industrial Internet platform, they rely on companies on the platform. Transaction credit can greatly increase corporate credit, so the bank's risk control system has shifted from the evaluation core enterprise to the evaluation platform's risk system. Although the financing enterprises are changing, the platform is stable, and the focus of risk control is the platform rather than the core enterprise. For a large number of SMEs that serve and are served on the platform, they can obtain supply chain funds by providing trading credit.

2.3 Development History of Supply Chain Finance

Although domestic supply chain finance started late, it has developed rapidly and has now gone through three stages of development:

The supply chain finance stage 1.0 is the offline "1 + N" model. With core companies as the center, the upstream and downstream SME groups are co-developed. SMEs obtain commercial financing from Banks by real transaction records, and core enterprises provide guarantee for SMEs by virtue of their own credit. At this stage, there are great risks in supply chain finance. For example, there exists the problem of information asymmetry and risk concentration among the core enterprises, commercial Banks and SMEs.

The supply chain finance stage 2.0 is the offline mode online. Through the Internet, logistics companies, information service providers, e-commerce platforms, and P2P platforms, etc. constitute comprehensive supply chain financial service providers. In this way, service providers directly connect with SMEs to realize online aggregation and integration from commodities to capital and from information to business. SMEs use online and digital information, guaranteed by core companies, and provide credit data such as transaction data to commercial banks to obtain financing. At this stage, supply chain finance transforms from offline mode to online mode to guide information screening and promote risk sharing and identification.

Supply chain finance 3.0 stage is the "N + 1 + N" ecosystem model. Internet supply chain finance has become a mainstream model that subverts the tradition. Commercial banks, small loan companies, commercial factoring companies, financial leasing companies, and trust companies and other institutions Form a comprehensive service platform to directly serve the enterprise without the credit guarantees of traditional core companies, which breaks through the constraints of the original single supply chain. Using cloud computing and big data, it can effectively achieve "de-centralization" and can identify financing risks in a timely manner. Therefore, the operation efficiency of the whole industry chain has been improved. The deep integration of Internet finance and industrial chain can expand financing platforms, broaden channels of capital sources, and establish a mutually beneficial and win-win financial ecosystem in more regions, more industries and more funds.

3. Supply Chain Finance in the “Internet+” Era

3.1 Characteristics of Supply Chain Finance in the “Internet+” Era

From the perspective of supply chain financial process management, core enterprises need to conduct comprehensive process management for horizontal value chain process, vertical value chain process and spatial value chain process. These management activities are highly complex. Horizontal value chain refers to the formation of good intra-industry division of labor and the improvement of supply chain value through the mutual connection and cooperation between enterprises in the same position. The vertical value chain treats enterprises, suppliers and customers as a whole and enhances the value of the supply chain by enhancing the collaboration and interaction between the upstream and downstream. Spatial value chain refers to the value chain that spans geographical distance and forms organic links with other regions.

From the perspective of the factors involved in the operation of supply chain finance, it not only includes the logistics, commercial flow and capital flow of each link of the supply chain. By using big data, cloud computing and other Internet technologies to acquire and analyze information flows in supply chain finance, the core enterprises adjust the above mentioned logistics, business flows and capital flows to improve the overall value of supply chain finance and promote the healthy and sustainable development of supply chain finance.

3.2 Development Characteristics of Supply Chain Finance in the “Internet+” Era

In China, the development of supply chain finance has not been long, but it has developed rapidly in the context of "Internet +".

1. The creation of a platform-based ecosystem. The development direction of supply chain finance is the situation that the industrial Internet and the financial industry supplement each other. The highly integrated three elements make the information industrialization more real and transparent. Third party enterprises develop in a coordinated way. They set up platforms through the Internet to meet the common needs of financial institutions and chain members, and respond to various demands for online services in a timely manner.

2. Change the product and service model. Changing the supply model of financial products and services in the supply chain led by Banks, so that each enterprise can become a new supplier by virtue of its own advantages. The online and offline mode is adopted to reduce the transaction cost, solve the information asymmetry, and maintain the operation efficiency of the supply chain.

3.3 Analysis of Internet + Supply Chain Finance Model

(1) Internet supply chain finance led by E-commerce

E-commerce has realized the digitization of transactions through the e-commerce platform, and at the same time, transactions based on its platform have accumulated a large amount of customer behavior and transaction data. In order to improve management ability and competitiveness, on the one hand, e-commerce enterprises use their own capital to provide credit loans to SMEs on their platforms with the help of e-commerce credit system. On the other hand, e-commerce cooperates with banks with its own credit as a guarantee to provide financing for small and micro enterprises in the supply chain.

(2) Internet supply chain finance led by core companies

As the leading enterprise in the supply chain, the core enterprise organizes, manages and benefits from the supply chain, and its development affects the whole supply chain. In order to promote the development of the industry and increase the overall value of the supply chain, core enterprises use their accumulated industry resources and upstream and downstream Enterprise operation information, through the establishment of factoring companies, financial leasing companies, micro-loan companies and other Internet supply chain companies to provide financing services to downstream companies. In the “Internet+” era, the core enterprises have realized economic transformation and improved production efficiency with the help of Internet technology and their control of upstream and downstream.

(3) Internet supply chain finance led by Commercial Bank

With the maturity of Internet technology and the vigorous development of Internet finance, businesses and individuals can conveniently conduct investment and financing on the Internet. In order to cope with the declining status of commercial Banks as capital providers in supply chain finance, commercial Banks have launched financing schemes and provided financial support. Therefore, commercial banks and client companies have a more equal status. Commercial banks have the right to choose qualified client companies, and client companies have the right to choose commercial banks with lower financing rates. On the other hand, in order to better monitor the supply chain funds to reduce information asymmetry, commercial banks have built e-commerce platforms one after another, and gained the advantages of e-commerce platforms.

(4) Internet Supply Chain Finance led by Supply Chain Service Providers

Supply chain service providers integrate commerce, logistics, settlement, funds and other factors. Through all-round control of information; they focus on providing competitive supply chain solutions for various enterprises, customers, value-added service providers, stores and consumers. In the context of the Internet, traditional supply chain service providers have established an Internet supply chain platform and are committed to creating a shared service platform for core enterprises to jointly develop with SMEs. This mode promotes the coordinated development of industrial chain enterprises.

4. Summary

At present, Internet supply chain finance is in its infancy, and supporting systems and legal supervision are still in urgent need of improvement. The corresponding “Internet +” wave needs the support of local policies. In the long run, Internet supply chain finance has broad development prospects.

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