

The effective prevention strategy of enterprise financial risk based on Internet financial environment

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Keywords: internet; financial; financial risk of the enterprises; prevention strategies

Abstract: Nowadays, Internet financial enterprises become a huge business system, driven by economic globalization, modern enterprises have transformed into internet enterprises, so as financial institutions. However, the Internet environment is a two-edged sword, bringing great economic benefits while also posing a threat to financial security of enterprises. Therefore, it is necessary to actively maintain the Internet financial security, and make effective use of Internet scientific and technological achievements. Therefore, this paper analyzes the types of financial risks of enterprises and their causes, also points out the new problems faced by enterprise financial risks under the Internet financial environment, and puts forward the prevention strategy of enterprise financial risk.

1. Introduction

Under the influence of the world financial crisis, Chinese enterprises are also faced with fluctuations and potential risks. In the trend of Internet economic development, the investment scale and quantity of Chinese internet industry is becoming larger and larger. The huge dividend brought about by the "Internet +" makes enterprises attach great importance to this piece of cake. But with the continuous innovation of business model, the influx of small and micro enterprises makes the competition intensify, internet financial enterprises are also difficult to resist the invasion of financial risks, so their own interests and survival can not be guaranteed. Through the analysis and evaluation of the financial operation and the potential financial risks of enterprises, it is possible to find out the financial loopholes of enterprises in the Internet financial environment in a timely and accurate way. And put forward the corresponding financial risk management suggestions, which is of great significance to the financial risk managers and investors of enterprises.

2. Types of financial risks in enterprises

2.1 Types of external financial risks of enterprises

The external environment of an enterprise refers to various opportunities that affect the development of an enterprise, such as financing channels, sales routes, etc., or the country's macro policies, fierce market competition. Depending on the source of the risk, the following points are specific:

Firstly is the risk of financing, which refers to the difficulty for enterprises to raise funds that can

support the operation of enterprises. The influencing factors include the change of the external environment of the market and the supply and demand of funds, such as refinancing risk, financial leverage effect, exchange rate risk and so on. If the enterprise breaks down in this capital chain, its subsequent commercial activities are clearly unable to sustain, which also means that the credibility of the enterprise is not strong enough, so it is difficult to get the favor of collaborators and job seekers.

Secondly, the operational risk. After raising a certain amount of funds, whether the operation is robust is an important criterion to measure the ability of enterprises. Under the influence of market supply and demand, the capital flow of enterprises will occur a series of fluctuations, such as procurement risk, production risk, inventory realization risk and accounts receivable realization risk.

Thirdly, liquidity risks, for example, the inability of an enterprise to pay or liquidate its own debt due to debt or the return of funds, will result in cash failure to liquidate the risk.

Finally, the investment risk. It mainly includes financial derivative instrument risk, reinvestment risk, moral hazard, default risk, interest rate risk, inflation risk and so on.

2.2 Types of internal financial risks of enterprises

Within the enterprise, the decision of the operator determines the development trend and ultimate benefit of the enterprise to a great extent.

Therefore, the enterprise also exists the financing risk, the investment risk, the liquidity risk and so on, among them, the liquidity risk includes the accounts receivable risk, the cash receipt and payment risk etc., here will not repeat.

3. New problems of enterprise financial risk in internet financial environment

Financial activities in the internet environment are faced with emerging financial platforms, such as e-commerce banks, internet banking platforms, network loan platforms, crowdfunding platforms and digital currencies and other forms. To a certain extent, these electronic financial services provide a variety of facilities for the economic development of enterprises. But there is also a very high risk.

Financial risk is constantly being strengthened. There is great uncertainty in the financial operation under the internet environment, which is also full of all kinds of false, floating, virtual financial activities, if the financial manager does not have professional quality and the sensitivity of the internet industry, it is easy to be deceived and make wrong decisions, which will bring huge economic losses. Moreover, the financial activities in the internet environment are difficult to be effectively controlled within the enterprise, the traditional business philosophy and management methods of the enterprise are also greatly different from the economic environment of the new era, so the uncertainty makes the financial risk of the enterprise expand unceasingly.

Legal risks continue to soar. In the internet financial environment, enterprises lack the perfect supervision system, while the relevant national legal policies have not yet spread to a variety of business activities, which has led to a gradual surge in the risk of financial default. Especially for some small and micro enterprises without threshold, no standard, no supervision, due to the lack of strong supervision of financial markets, it is likely to go into the legal misconception, triggering a certain financial risk.

Business risk continues to improve. Because the Internet financial system construction is not standardized, the entry threshold is low and there are great loopholes, which leads to the use of Internet channels for online fraud, illegal fund-raising and other frequent incidents, not only affect the interests of enterprises, but also contribute to the financial markets of various evil spirits. Even

some people rely on professional information technology to invade the network financial system of others, to seek windfall profits by illegal means.

The information risk continues to expand. Under the internet environment, enterprises have more and more extensive access to get information, and many of these information can not distinguish the authenticity. Moreover, because the supervision of internet finance is not enough, the various information of enterprises is easy to leak out, and eventually lead to the expansion of financial risks.

4. The precautionary strategy of enterprise's financial risk under the internet financial environment

4.1 Perfecting risk early warning function and financial management system

Enterprises should strengthen their own awareness of safety prevention, clarify the rules and regulations of various departments, optimize the financial management process, and do a good job in advance risk warning work. Enterprises should consider the enterprise's asset level and management ability, debt repayment ability, investment ability, profitability and so on according to the characteristics of the enterprise itself, so as to formulate a financial resolution in line with the characteristics of enterprise development. At this time, enterprises can introduce the Z-value model theory, which is the use of the enterprise's operational capacity index, solvency index, profitability index and other weighted summary of the total difference to carry out risk prediction. In the year before bankruptcy, the method was as accurate as 90% and remained effective for five years.

The formula is $Z=0.012X_1+0.014X_2+0.033X_3+0.0064X_4+0.999X_5$.

Where, X_1 is (current assets - current liabilities)/total assets

X_2 = Retained earnings/total assets

X_3 = EBIT/Total Assets

X_4 = Market value/total liability of preferred shares and common shares

X_5 = Total Sales/Total Assets

The enterprise is very secure when the value of Z is 2.99. However, when $1.81 \leq Z \leq 2.99$, it shows that there is financial instability in the enterprise, financial risk prevention should be strengthened in a timely manner, otherwise it is easy to face bankruptcy.

In addition, enterprises can also use qualitative analysis, quantitative analysis, financial statement analysis and other risk analysis methods to test whether their operations are at risk. Meanwhile, the financial management system of internet enterprises is more complex, so enterprises should improve the relevant rules and regulations, cultivate high quality financial management talents, do a good job in financial planning from the actual operating conditions, to ensure that every account of financial management work is clear, to avoid unreasonable financial expenditure.

4.2 Establishing financial risk supervision and management mechanism

In view of the financial risk in the current internet environment, enterprises should be good at estimating and analyzing financial risk according to their own financial data. Take LeEco's business operation as an example, as the world's first IPO network video company, LeEco has a market capitalization of more than \$150 billion. But as we can see from the financial statements from 2010 to 2016, the financial risks are already beginning to emerge.

Table 1 Financial data related to accounts receivable at LeEco.com

Relevant financial indicators	2010	2011	2012	2013	2014	2015	2016
Accounts receivable (RMB 100 million)	0.70	1.77	3.71	9.50	18.93	33.60	50.61
Accounts receivable turnover	-	154.05%	109.19%	156.16%	99.17%	77.52%	50.64%
Total assets (RMB 100 million)	10.32	17.74	29.01	50.20	88.51	169.82	288.69
Rate of change in total assets	-	72.00%	63.50%	73.05%	76.30%	91.87%	69.99%
Operating income (RMB 100 million)	2.38	5.99	11.67	23.61	68.19	130.17	167.95
Revenue growth rate	-	151.22%	95.02%	102.28%	188.79%	90.89%	29.03%
Accounts receivable/total assets	6.77%	9.99%	12.79%	18.93%	21.38%	19.78%	17.53%
Accounts receivable/operating income	29.29%	29.63%	31.78%	40.24%	27.76%	25.81%	30.13%
Accounts receivable turnover	-	4.84	4.26	3.57	4.80	4.96	3.99

As can be seen from the table, the number of accounts receivable of LeEco enterprises has increased year by year, because it has extended the time limit for accounts receivable in order to expand the scope of business, resulting in the slower and slower return of cash flow. At the same time, the turnover rate of its accounts receivable is gradually declining, indicating that the cash flow shortage of the enterprise is serious, will soon lead to a financial crisis. Therefore, for the financial risks in the current Internet environment, it is necessary to supervise the overall budget management of the enterprise to ensure that every step is within a reasonable and lawful scope. At the same time, enterprises should pay attention to the internal audit work, check whether the enterprise operation and its performance conform to the norms, whether the enterprise assets are complete, whether the accounting statements are true and whether the economic activities and financial information are consistent, so as to prevent financial risks.

4.3 Optimizing the related functions of internet technology

Internet technology plays an increasingly important role in preventing corporate financial risks, such as identity authentication, face and fingerprint recognition and other intelligent unlock can ensure that the enterprise's important information and funds are not arbitrary outflow. At the same time, enterprises should actively develop encryption technology, whether in the process of data

transmission and storage, or post-processing, in order to ensure the security of enterprise financial system, operators should be set permissions. In addition, in order to prevent hackers from invading, enterprises also have to introduce internet firewall technology, so that the enterprise's financial system will not be paralyzed and controlled by others.

5. Conclusion

In short, under the internet model, the financial operation mode of enterprises has undergone tremendous changes. So operators should change their traditional concepts and pay attention to the achievements of modern science and technology, make full use of the internet environment to improve the economic benefits of the enterprise, while avoiding the corresponding financial risks, effective control. In this way, enterprises in the internet environment can ensure their own financial security, and access to long-term development.

Acknowledgements

Research on Risk Measurement of Old-age Services under "Internet + PPP" Mode (LY201818), Shaanxi Provincial Bureau of Statistics.

Xi'an FANYI University Team Construction Project (XFU17KYTDA02): Industrial docking study of the Silk Road Economic Belt, XFU.

Intermediate financial accounting Teaching Team(T1807),XFU.

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