

Application Research of Crowdfunding in Small and Micro Enterprises Related to Agriculture

Yaping Cui, Yingming Chen, Yue Qian

Lijiang Teachers College, Lijiang, Yunnan 674100, China

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Abstract: the Problem That the Financing Difficulties and High Financing Costs for Small and Micro Enterprises Has Always Been a Topic of Concern for Enterprises and Related Researchers. the Inherent Weakness of Agriculture Itself Makes the Financing of Small and Micro Enterprises Related to Agriculture Be More Prominent. Compared with Traditional Financing Methods, Agricultural Crowdfunding Provides a New Financing Model for Small and Micro Enterprises. At Present, Domestic Agricultural Crowdfunding is Still At the Initial Stage of Attention and It Still Does Not Have a Complete System and Mechanism. Therefore, How to Maximize the Benefits of Agricultural Crowdfunding Financing and Provide Financing for Small-Scale Enterprises Related to Agriculture is Crucial on the Basis of the Lowest Risk.

1. Introduction

Under the New Normal of Economic Development, It is Particularly Important to Accelerate the Development of Modern Agriculture, Realize Agricultural Modernization and Play the Role of Small-Scale Enterprises Involved in Agriculture. However, Small and Micro Enterprises Especially Those Involved in Agriculture Have Difficulties in Financing Due to Various Reasons. Small and Micro Enterprises Have Small Scale of Production and Operation Which Directly Leads to Low Operating Efficiency, and Their Credit Rating is Naturally Not High. Coupled with the Irregular Financial Management and Low Management Level of Small and Micro Enterprises, and the Lack of Financial Statements for Auditing by Auditing Departments, There is No Audit Department to Confirm Their Operating Results. Therefore, It is Difficult for Banks to Review Corporate Financial Information Which Makes It Difficult for Small and Micro Enterprises to Obtain Direct Loans from Banks.[1-2]

With the development of Internet technology, big data and cloud computing technology, as well as the characteristics of small and micro enterprises, Internet finance has become an effective way to effectively alleviate the financing problems of small and micro enterprises. Many small and micro enterprises have begun to pay attention to the convenience, efficiency and low cost of Internet finance so that they can use this new means to fundamentally solve their own financing problems.

2. The Definition and Pattern of Crowdfunding

Crowdfunding is to publish financing project through the Internet platform, raise project funds from the public and provide financing facilities for SMEs. Crowdfunding was originally extended from crowdsourcing. Crowdfunding refers to Individuals or enterprises expropriate talents, services, ideas or technologies from the public, or enterprises outsource a specific task to the public in an open way through the network when producing or selling a product[3].

At present, crowdfunding models in China are mainly divided into equity crowdfunding, debt crowdfunding, reward crowdfunding and public welfare crowdfunding, etc. Equity crowdfunding refers to the project sponsor take company's equity share as remuneration, raise funds from investors, and give benefits to investors according to the company's operating results and share. Debt crowdfunding refers to project sponsor raises funds from the investor, take principal return and interest payment as the reporting method. Reward crowdfunding refers to project sponsor

raises funds from investors in advance and take material object as reward. Public welfare crowdfunding refers to publish welfare donation projects and raise funds according to the Internet.

Compared with crowdfunding in the broad sense, agricultural crowdfunding refers to crowdfunding enterprises or individuals display agricultural products or services, raise funds from mass consumers and promise to provide certain remuneration at the end of agricultural production through crowdfunding platforms or other Internet channels[4].

Domestic agricultural crowdfunding model is divided into equity crowdfunding and incentive crowdfunding. Agricultural equity crowdfunding refers to agricultural enterprises take out products to launch crowdfunding projects, attract investors to invest funds, and finally give investors a certain share of equity. Incentive crowdfunding refers to agricultural enterprises or individuals use agricultural products or services to raise funds from investors, further customize and produce agricultural products according to the needs of investors, and provide investors with certain agricultural products or free agricultural leisure services as remuneration.

2.1 Agriculture-Related Small and Micro Enterprises

According to the classification criteria of small and medium-sized enterprises, small and medium-sized enterprises are classified into medium-sized, small-sized and micro-sized enterprises. Small and micro enterprises are collectively referred to as small enterprises, micro-enterprises, family-run enterprises and individual industrial and commercial households. The business income of 500,000 yuan and above is a small-scale agriculture-related enterprise, and the business income of less than 500,000 yuan is a small-scale enterprise involving agriculture. It is shown as table 1 below[5].

Table 1 Standard of Micro Small and Medium Enterprises on Parts of Industry

Category	Criteria for the classification	
Agriculture, forestry and animal husbandry	Medium-sized enterprise	Operating income \geq 500wYuan
	small companies	Operating income \geq 50wYuan
	Micro-enterprises	Operating income $<$ 50wYuan

3. The Use of Crowdfunding Financing in the Financing of Small and Micro Enterprises

Since the beginning of crowdfunding as an innovative way to raise funds among artists, it has now extended from the artistic level to the commercial field. From the simple product return to the emerging equity crowdfunding and participation in the dividend system, its deep connotation has long since surpassed the support of ideals that it has even more also opened the door to small and micro enterprise financing. From the innovation of crowdfunding financing and the ease of setting up investor returns and giving investors a new experience, it is feasible to combine crowdfunding financing mode with small and micro enterprises[6-7].

3.1 Equity Crowdfunding under the Lead Investor System is Applied to Potential Fundraising Projects

The lead investor system is a relatively common and relatively practical system in the crowdfunding industry, it can also be called an investment behavior model. The basic operation method is to be led by experts with certain professional literacy and relevant knowledge, that is, the so-called lead investors, when the lead investor conducts the effective analysis of the selected project through professional and effective technical means and determines that it has investable value, it will ensure that they can obtain part of the income while giving the outside world a waiter investment signal unfamiliar to the relevant professional and so that get investment income. Equity crowdfunding under this system can better tie the immediate interests of the lead investors to the projects they support that this attraction to investors is obvious.

Creative Return Crowdfunding is used in creative and small-funded projects. Creative return-based crowdfunding, as the name suggests, is to give investors a creative product or service in a financing project. The financing projects of small and micro enterprise are generally very

innovative. And because of the small scale of the enterprise, although it does not dominate in scale competition, its flexibility is high and it is easy to set investors' returns. In addition, for its flexibility and innovative features, small and micro enterprises can complete the forecast of the market in the process of research projects and can better understand the specific needs of potential investors and further improve the products to make products or services more in line with investor expectations. From this point of view, the combination of small and micro enterprises and crowdfunding models is not limited to the demand for funds, which is also the bold innovation and challenge of the traditional financing model, so that the development of the enterprise caters to the needs of the market.

4. The Value of Crowdfunding Financing Applied to Small and Micro Enterprises

Small and micro enterprise financing has the characteristics of “small, urgent and frequent”, and crowdfunding financing is a more popular and faster financing method than traditional financing mode. At the same time, it can also test the market demand of the project. Therefore, the application of the crowdfunding model to the financing process of small and micro enterprises will certainly provide more financing possibilities for small and micro enterprises and which will also provide new channels for ordinary people's small investment. So the organic combination of crowdfunding model and small and micro enterprises has great theoretical and practical significance.

4.1 Help to Promote the Development of China's Innovation Cause

Small and micro enterprise financing entities are generally those have creative projects but are lack of funds. Under the crowdfunding model, project sponsors (creators) can implement ideas on the products according to the project plan through the funds, which can turn the dreams of the creatives into reality. It will stimulate more creative people to enjoy and promote the development of China's innovation cause.

4.2 Help to Promote the Industrialization and Commercialization of Technological Innovation

It is an era of knowledge economy in the current era. As an important source of economic growth, technological innovation has been recognized by the economics community. The rise of crowdfunding in the economic era, as an innovative financing system arrangement, which provides a good technology innovation. Financial support will help small and micro enterprises' creative products to be implemented from ideas to products. Industrialization and commercialization of technological innovation will play an unprecedented role in promoting the industrialization of technological innovation.

4.3 Help to the Deepening of China's Internet Finance Reform

The supervision of China's financial industry adopts separate supervision. Separate supervision refers to that the CBRC supervises the banking system, the China Insurance Regulatory Commission supervises the insurance system, and the CSRC supervises the securities system to operate separately. With the advent of the Internet, the era of big data, and the gradual development of Internet finance, the shortcomings of China's current financial supervision model are particularly significant. The announcement of the Central Cyber Security and Informatization Leading Group on February 27, 2014 showed that the government's network security and informatization have placed a prominent position, which also laid the foundation for the further development of Internet finance. The rise of the crowdfunding financing model has brought new challenges to China's financial supervision, which will certainly promote the deepening of China's financial reform.

4.4 Help to the Development and Use of Talent

The particularity of the crowdfunding fund and the investor's investment in the project directly reflect the project's innovation and market demand. If the fundraising is successful, the project's market demand is large. In the public's opinion, the idea has a larger Market potential. Therefore, the crowdfunding model has the ability to discover innovative talent.

5. Agriculture-Related Small and Micro Enterprises Cooperate to Establish an Independent Regulatory Third-Party Crowdfunding Platform

At present, agricultural crowdfunding projects are mainly released by Internet-based crowdfunding platforms, enterprise internal platforms, or social platforms. The main functions of most crowdfunding platforms are focused on review and incubation, and the supervisory functions that a crowdfunding platform should play are not obvious. Therefore, small and micro enterprises involved in agriculture should cooperate to establish a third-party platform that is professional, relevant, and independent, so that it not only has functions such as incubation and promotion, but also has a perfect regulatory system. It needs to meet the characteristic needs of crowdfunding for small and micro-enterprises related to agriculture, similar to the role of a stock exchange, a stock exchange. Although this type of crowdfunding platform is established by cooperation between small and micro enterprises involved in agriculture and third parties, it has the characteristics of independent supervision and independent functions. When signing an incubation contract with an agricultural small and micro enterprise that initiated a crowdfunding project, it must review and analyze the financial situation, production and operation of the enterprise in recent years, or the life credit, bank credit, and business of the individual project sponsor Credit is evaluated to establish a systematic corporate or personal file system. As the initiator of a small- and micro-enterprises-based crowdfunding project, you should cooperate with such targeted third-party authoritative platforms as much as possible, which can avoid many risks such as lack of credit caused by the failure of internal control.

6. Summary

Crowdfunding financing not only has the advantages of wide sources of financing and low financing threshold, but also has the role of testing market demand and promotion for small and micro enterprises. However, not all small and micro enterprise projects are suitable for crowdfunding. Even if the financing project is suitable for crowdfunding, the crowdfunding platform should choose the best crowdfunding financing method according to the characteristics of the project. Only the correct crowdfunding financing method can help small and micro enterprises' financing projects turn from dreams to reality, so that the advantages of crowdfunding financing mode can be fully exerted.

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