

Financial Technology to Help Small and Medium-sized Enterprises Financing Path and Countermeasures

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Abstract: In recent years, with the development of China's overall economy, small and medium-sized enterprises have gradually become the emerging backbone to solve the problem of resident employment, active financial market, innovative product upgrading, but at the same time, the problem of difficult financing and expensive financing has been hindering the rapid growth of small and medium-sized enterprises. Through the current financing situation of small and medium-sized enterprises, this paper discusses the reasons for the financing difficulties faced by small and medium-sized enterprises, and then introduces fintech. Combined with the development history and application of fintech, this paper studies the financing path assisted by fintech and explores the methods to solve the financing difficulties of small and medium-sized enterprises. Finally, it puts forward feasible countermeasures and suggestions from the aspects of small and medium-sized enterprises themselves, financial institution transformation and fintech development.

Keywords: Fintech, Small and medium-sized enterprises, Financing.

1. Introduction

Small and medium-sized enterprises promote economic development and maintain social stability, and play an important role in China's economic system. However, in the process of operation and development of small and medium-sized enterprises, due to their own scale and external policy environment and other problems, the traditional financing model can not well meet their capital needs, financing difficult, expensive problems have always existed. In recent years, with the development of information science, fintech represented by big data, cloud computing and blockchain has been integrated into the financial system. Fintech innovation makes up for the defects of smes' financing ability, financing cost and financing risk under the traditional financing model, and explores new ideas and methods to help small and medium-sized enterprises finance based on the causes of smes' financing difficulties.

2. Introduction to Fintech

2.1. Development History of Fintech

Fintech originated in the 1980s and has been promoting the upgrading of financial institutions and service technologies for decades. Its development process can be roughly divided into the following three stages.

2.1.1. Fintech 1.0 Phase

The 1.0 phase of fintech, known as the electronic financial era in China, was characterised by its "account-centricity". During this period, Internet finance accelerated its growth, P2P platform and crowdfunding platform came into being, and business data was rapidly aggregated, thus accelerating the development of accounting system and credit system. Fintech uses banks as a central medium to conduct transactions through an account binding model.

2.1.2. Fintech 2.0 Phase

Fintech 2.0 is the networking stage of financial channels in China, and its business model is "customer-centric". In particular, the launch of "Yu 'e Bao" in June 2013 made online

lending platforms become a popular investment and financing method among many consumers. Subsequently, with the continuous improvement of fintech, a large number of online lending platforms, equity-based crowdfunding platforms and intelligent investment companies mushroomed, accelerating the development of payment, lending, credit investigation services and other modes.

2.1.3. Fintech 3.0 Phase

Since 2019, big data, cloud computing, artificial intelligence, blockchain, 5G and other technologies have been deeply integrated with financial businesses, which is called Fintech 3.0 stage. In "to the scene as the center" of the financial service system, the rapid development of the market of China's smart shots, scale continues to expand, the financial development of the world's leading science and technology, among them the ant gold suits, jingdong digital technology and the degree of grain full financial are at the leading position, 87% of China's financial technology adoption rate is much higher than the global average, 64% of financial technology adoption.

2.2. Fintech Application Areas

After decades of development, financial services and the combination of the underlying technology, artificial intelligence, big data, cloud computing and block chain multiple advanced technology into the financial system, such as pay, financing, investment, insurance, and areas such as infrastructure mode innovation, product change quickly, the risk also got better management. Continuous fintech innovation has given the fintech industry a widely distributed and hierarchical industry structure. A sound fintech industry enables the development and upgrading of the traditional financial industry, which will eventually be implemented into the application of fintech, involving in many aspects.

2.2.1. Serving the Real Economy

The original intention of the continuous innovation and development of fintech is to serve the real economy. In recent years, small and medium-sized enterprise financing problems has been in the financial sector weaknesses, big data, cloud

computing, the use of emerging technology such as block chain for provides a solution to this problem, and easing lending both sides of the problem of asymmetric information, credit evaluation and risk pricing issues, etc., and establish the corresponding track monitoring system and the interest rate to determine system, It reduces the financing cost and improves the financing efficiency of small and medium-sized enterprises.

2.2.2. Promote the Development of Inclusive Finance

In addition, benefiting from fintech, financial institutions apply digital business management systems, thus promoting the development of inclusive finance. The specific measures are to manage business and products thoroughly through the system, control business input costs, and improve the efficiency of capital operation; Through the artificial intelligence interactive technology of the system, it can promote the intelligent operation decision of financial institutions and improve the convenience of identity verification. The efficiency and cost reduction brought by the above technological dividends benefit many customer groups and effectively improve the availability of financial products and services as well as the safety of assets.

2.2.3. Improve the Hard Power of Science And Technology

Fintech has effectively empowered banks' digital transformation, diversified data processing, intelligent risk control and convenient financing payment and clearing, etc., covering a complete range of fields and significantly improving their hard power. The progress of the hard power of science and technology has improved the data processing ability of various industries in the financial field, reduced the operating cost of enterprises, promoted the optimization of the organizational structure and risk management ability of enterprises, and thus expanded the audience range of financial institutions. Small and medium-sized enterprises supported by credit enhancement can also carry out financing more conveniently.

3. Analysis of Financing of Small and Medium-sized Enterprises

3.1. Analysis of the Current Financing Situation of Small and Medium-sized Enterprises

3.1.1. Insufficient Financing Capacity

Financing of small and medium-sized enterprises are usually present time is short, high frequency, small amount, but due to the small and medium-sized enterprises in China are larger population size, and single financing channel, most of them are directly to the bank to borrow money, combined with the current tough financing environment for small and medium-sized enterprises and Banks don't trust, makes the overall financing demand gap. In addition, factors such as small scale of operation and backward technical conditions make it difficult for small and medium-sized enterprises to provide collateral needed for financing, which further leads to the limitations of their financing ability.

3.1.2. High Financing Cost

Traditional financial institutions will raise loan interest rates to deal with the shortage of collateral for small and medium-sized enterprises. At the same time, the complex examination and approval procedures and cumbersome manual business processes of traditional credit all need to

transfer certain operating costs. Secondly, small and medium-sized enterprises with imperfect finance and management need corresponding guarantees to carry out financing, while the guarantee expense ratio of general loan guarantee companies reaches 2%-2.5%. In addition, small and medium-sized enterprises lack corresponding preferential and supportive policies when financing. In addition to paying high loan interest regularly to banks, they also need to pay additional service fees such as asset notary fee and appraisal fee, which makes the financing cost high.

3.1.3. High financing Risk

The change of market demand and the lack of financial support make small and medium-sized enterprises, especially those in the initial stage, easy to close down. Due to the lack of correct market orientation, small and medium-sized enterprises can not adjust their product supply for financing, thus increasing the risk of lending to investors. In addition, some small and medium-sized enterprises in emerging industries and supported by national policies adopt equity transfer for financing in order to achieve better development in the future, which dilutes the control rights of the original shareholders, causes differences in development strategies and leads to risks in their own operations. At the same time, the risk resistance of small and medium-sized enterprises is insufficient, exacerbating the financing risk.

3.2. Analysis of Financing Difficulties of Small and Medium-sized Enterprises

3.2.1. Analysis of Its Own Factors

First of all, small and medium-sized enterprises with small scale and single industrial structure cannot gain scale effect and are less competitive in the market. Secondly, the credit status of most small and medium-sized enterprises is not optimistic, in the process of operation to make a lot of credit damage behavior, such as abuse of funds, capital turnover is not working loan fraud behavior and debt evasion behavior. In addition, the general management level of small and medium-sized enterprises is backward, lack of long-term goal planning, accounting is not comprehensive and capital management is not in place from time to time, it is difficult to recognize their position in the market. Therefore, banks and other financial institutions in the face of the capital needs of small and medium-sized enterprises appear rejection psychology, resulting in financing difficulties.

3.2.2. Analysis of External Factors

First, Information asymmetry between small and medium-sized enterprises and financial institutions

Due to the high opacity of the financial information of small and medium-sized enterprises, the management system of the leadership is not standardized, and the internal mechanism is not perfect, resulting in the banks and other financial institutions in the examination and approval of loan conditions can not easily judge whether they have the ability to repay, only after investing a lot of manpower and material resources can the effective screening. In this situation, it is difficult for banks to understand the authenticity of the capital demand of small and medium-sized enterprises and the specific use of the borrowed funds. Such information asymmetry leads to increased lending risks of banks, so they often choose to reject the loan applications of small and medium-sized enterprises.

Second, Financial institutions lack of attention to small and medium-sized enterprises

In the face of a large number of small and medium-sized enterprises, which have made outstanding contributions to China's economic construction, the matching degree of financing products provided by financial institutions is obviously not enough. No matter in terms of quantity, distribution, structure or type, the mismatch between supply and demand makes small and medium-sized enterprises face the problems of capital flow difficulties and their own development limitations. In addition, excessive financial institutions for small and medium-sized enterprise loan conditions require stack supporting system construction lag, the risk is too concentrated, credit guarantee institutions to spread risk, lead to the survival difficult, resulting in the lack of small and medium-sized enterprises credit guarantee system, financial institutions for small and medium-sized enterprise loan business shrinking.

4. Ways for Fintech to Help Small and Medium-sized Enterprises Solve Their Financing Difficulties

Fintech provides new ideas to solve the financing difficulties of small and medium-sized enterprises, mainly in the following three ways.

4.1. Expand Financing Channels

4.1.1. Online Lending and Financing

Online lending platforms carry out financial services such as financing investment and credit through mobile Internet technology, providing small and medium-sized enterprises with a convenient and fast financing channel with low threshold. Taking P2P as an example, small and medium-sized enterprises can complete the process of authentication, bookkeeping, clearing and delivery through the network. The specific mode is peer-to-peer financing, that is, investors offer loans to small and medium-sized enterprises through bidding after issuing loan bids, and multiple lenders jointly contribute capital to solve the corresponding financing needs.

4.1.2. Internet Crowdfunding

Crowdfunding utilizes the communication characteristics of the Internet and social network services to give full play to the power of the masses, helping small and medium-sized enterprises raise funds in the form of group purchase plus pre-purchase. At present, there are four kinds of crowdfunding methods: one is donation-based crowdfunding, in which investors donate to enterprises or projects for free; The second is return-based crowdfunding, in which investors exchange their capital for vouchers or products and services in return. Third, the crowdfunding is based on creditor's rights. After receiving the debt investment certificate, investors can obtain the principal and corresponding interest in the future. Fourth, equity-based crowdfunding allows investors to obtain a certain proportion of equity and equity returns.

4.1.3. E-commerce Small Credit Loan Financing

Big data and cloud computing is one of the main features of the Internet technology, combined with electric business platform very closely, small electric business credit is based on a large amount of data platform, for small and medium-sized enterprises for the analysis of clients' money to and trade preferences, collect payment information and credit evaluation, capital requirements and to provide customers services. Credit loans on e-commerce platforms have rich sources of funds, flexible lending and can effectively shorten the approval time, which is an innovation of traditional bank

credit. Typical e-commerce platforms include AliXiaodai, Jingdong Xiaodai, Huicong.com and Dunhuang.

4.2. Reduce Financing Costs

First, compared with traditional loan methods, online channel financing under fintech is unsecured loan, and since it is conducted on the Internet, small and medium-sized enterprises can freely choose the appropriate loan platform and loan interest rate. In addition, the products of online lending platforms have high compound annual returns, often more than 20%, which cannot be compared with the annual interest rates of ordinary banks, financial products and trust investments, thus effectively reducing the financing cost.

Second, in the absence of guarantee for smes' financing, big data and other enterprise information inquiry technologies can support credit, make financial markets relatively fair and reduce search costs for loan providers such as banks. At the same time, most of the credit process under fintech is carried out online system, which can effectively reduce the cost of offline sorting, submission and approval. In terms of cost sharing, reducing the cost of banks and other financial institutions also reduces the financing cost of small and medium-sized enterprises.

Third, blockchain digital technology can combine big data, AI artificial intelligence technology, etc., and make use of its time stamp, consensus mechanism and immutable characteristics to ensure the connection of pre-loan application, in-loan loan and post-loan management between enterprises and financial institutions, so as to reduce additional business costs and risk control costs in the financing process.

4.3. Reduce Information Asymmetry

4.3.1. Electronic Invoice Technology

Under the electronic invoice technology, the invoice data are fully electronic, which can be combined with the internal system of small and medium-sized enterprises to resolve the common crisis of trust in financial statements, such as the crisis caused by authenticity and timeliness. To tax electronic invoices, for example, in theory, will not lower than the small and medium-sized enterprise financial income tax system is shown in invoice income, so the tax invoice electronically can be used to solve the problem of the asymmetry of accounting information, using small and medium-sized enterprise's tax revenue credit and technology of the large data check and ratify is the trend of the future.

4.3.2. Internet of Things Technology

With the help of Internet of Things technology, banks and other financial institutions can intelligently analyze and identify the production and operation status of small and medium-sized enterprises. In addition, through the use of big data and cloud computing technology, relying on the Internet of things technology to establish enterprise credit information sharing mechanism, can evaluate the credit data of small and medium-sized enterprises, promote more transparent information. At present, Internet of Things technology has been widely used in the batch financing business of small and medium-sized enterprises. Combined with digital authentication technology, it solves the problems of contract signing, identity confirmation and information tracking during financing.

4.3.3. Blockchain Technology

Similar to the Internet of Things technology, the blockchain enhanced data platform can build a credible data value

transmission network. Through the integration of the existing fragmented and diversified data within the jurisdiction, the dynamic enterprise credit file can be established, the credit ability of small and medium-sized enterprises can be improved, and the credit evaluation system of small and medium-sized enterprises can be built. At the same time, through the decentralized characteristics of blockchain technology, the alliance chain is built, so that banks, guarantee institutions and small and medium-sized enterprises can reach mutual trust consensus, and break the problem of "information island" in the traditional financing environment. In addition, the application block chain characteristic of data encryption, tamper-proof, asset digital proof technology, realize the credit evaluation, pricing, service with the execution of the contract the whole process of operation and management automation, for each link data provide reliable storage environment, information encryption, only under the condition of the authorization data owner can access to, So as to effectively solve the problem of information asymmetry between the financing parties.

5. Conclusions and Recommendations

To sum up, fintech plays an important role in the financing of small and medium-sized enterprises. Facing the small and medium-sized enterprise own factors and external factors of the financing dilemma, financial science and technology from the artificial intelligence, big data, cloud computing and block chain is put forward the corresponding solutions such as technical level, acting on the financing channels, financing costs, and information such as credit, for small and medium-sized enterprises to achieve convenient financing and long-term development has important practical significance. Finally, based on the content and conclusions of this paper, the following countermeasures and suggestions are proposed:

First, suggestions for small and medium-sized enterprises themselves. Iron also need their own hard, small and medium-sized enterprises need to strengthen their own credit construction, establish a good image. In the management level to improve the leadership and management ability, do a good job of the company's regular financing planning and long-term development strategy, efficient use of funds; In the financial level, the use of advanced technology, increase the transparency of financial information, and then improve the credit rating; In the credit investigation and guarantee level to carry out government, financial and enterprise docking,

actively realize resource sharing, alleviate the problem of information asymmetry.

Second, suggestions for traditional financial institutions. State-owned commercial banks and other large financial institutions need to accelerate digital transformation, increase technology research and development in the field of fintech, promote product diversification and innovation with the help of fintech platforms, and precisely improve financing support for small and medium-sized enterprises. In addition, small and medium-sized banks should also explore their own fintech path, develop flexible and personalized financial services to improve their competitiveness, build a unique platform based on the existing advanced technology, share resources with state-owned commercial banks, get together and help small and medium-sized enterprises in financing.

Third, suggestions on the development of fintech. The government should pay attention to the construction of fintech related high-quality talent team, and provide policy support, and cooperate with small and medium-sized enterprises and financial institutions to ensure the establishment of fintech platforms. In addition, countries should also provide a proposal of financial regulation related science and technology, to promote China's version of "regulatory sand box" be born, in financial technology industries, products and services related to multi-level and differentiated regulation, completes the privacy protection, prevent data theft, tampering, to defend the happening of financial risks, maintaining the stability of financial markets, Further for the financing of small and medium-sized enterprises and national economic development to make greater contributions.

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