Research on Anti-factoring Financing Mode Under Online Supply Chain Finance

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Abstract. In recent years, the financing difficulty of small and medium-sized enterprises (SMEs) in China has become the main obstacle to the development of SMEs\([1]\). So, it has received a lot of attention. In early 2016, China supported the implementation of supply chain finance to alleviate the contradiction of financial resources in China. Reverse factoring, as one of the most popular tools, has recently developed rapidly in China. This paper mainly studies the reverse factoring financing mode in the online supply chain finance. And based on this analysis, the advantages and functions of the model are analyzed and compared with the traditional financing mode. And this paper also puts forward the risk of this mode and puts forward some suggestions for the business.

Introduction

The emergence of reverse factoring financing mode under online supply chain finance is actually trying to create a three-party win-win common system, which is conducive to solving the financing difficulties SMEs. At the same time, through the combination of supply chain finance and e-commerce, this business tends to be more reasonable development.

Operation Mode of Online Supply Chain Finance and Reverse Factoring

Briefly Analyze of the Operation Mode

First of all, the supply chain here includes three parties, including the core enterprise, suppliers (mostly small and micro enterprises), factoring (or commercial Banks).

Specifically, there are two situations. In the first case, the core enterprise itself has business contacts with suppliers\([2]\). Even though suppliers cannot easily obtain financing due to the scale of the enterprise itself or other reasons, the core enterprise is willing to provide financing due to its understanding of suppliers. In the second case, although the core enterprise itself does not do business with the supplier\([3]\), the supplier itself has a good reputation and can be trusted by the core enterprise.

In both cases, with core businesses in the supplier's application through, factoring can provide funds, directly from the system to the platform, allows the supplier to financing\([4]\). At the same time, factoring can also as soon as possible for the supplier's borrowing information, payment information and billing information, and the information through the platform sent directly to the core enterprise, the core enterprise can also look at the money.

In reality, financial institutions can build a reverse factoring business model of supply chain transformation and upgrading by building their own online platforms or by relying on the "big data" of third-party Internet enterprises\([5]\). Specific examples include online financing of dealers in cooperation between China CITIC Bank and Haier Group's "Gooday" B2B platform, "online direct factoring" represented by China merchants logistics project launched by China Merchants Bank and "factoring cloud platform" launched by China Ping An Bank for factoring.
Advantages of Reverse Factoring under Online Supply Chain Finance

After investigation, it was found that in 2005, the average accounts receivable of China's SMEs than accounts payable more than 2.43 million yuan, accounts receivable average payment days than accounts payable more than 51 days, a collection of sales than a payment payable more than 12 days. From these data, it can be seen that many assets of SMEs are not recovered from the outside for a long time, which cannot contribute to the current production and operation activities of enterprises[6]. On the contrary, they may take the risk of receivables not being recovered, which aggravates the burden of circular operation of SMEs. On the contrary, if these long overdue receivables are used to make the financing of the mortgaged property, the commercial Banks can also focus on the credit capacity of the core enterprises that pay the arrears, making it easier for SMEs themselves to borrow[7]. Moreover, the cost of financing has also dropped a lot, and the assets that have not yet been received have been maximized; For the core enterprises, the entire industrial chain has also been stabilized, making the upstream and downstream business more smooth. It can be simply summarized as the following points:

First, it can effectively solve the financing difficulties and capital turnover problems of SMEs, and reduce its own financing costs. Take advantage of the good financial status and high reputation of core enterprises to provide guarantee for upstream and downstream enterprises smoothly[8]. This is in line with the recent measures issued by relevant departments of the state to encourage commercial Banks to carry out financial service innovation and solve the financing difficulties of SMEs.

Second, it can maximize the use of accounts receivable of SMEs, and extend the payment days of accounts payable of core enterprises to the maximum extent and reduce the financial management cost of core enterprises. The result is a win-win situation for both sides.

Third, most of the domestic commercial Banks have a fixed source of customers, and their own customers are enterprises with good evaluation and strong credit capacity. Selecting these enterprises and financing their corresponding suppliers will not only enable the suppliers (SMEs) to have the funds to make the raw materials required by the core enterprises and ensure the daily operation of suppliers; And the source of raw materials of the core enterprise will not be broken, which ensures the stable development of the whole supply chain[10]. And it also allows commercial Banks to make consistent profits.

Fourth, compared with the traditional financing business, commercial Banks need to verify the credit capacity of SMEs, with high cost and long time. The new type of reverse factoring requires commercial banks to verify the ability of the core enterprise and the authenticity of the transaction[11]. Relatively speaking, the core enterprises have good credit ability and high reputation in commercial banks, and there is almost no bad record, so as long as the core enterprises confirm that the accounts receivable are true and reliable, they can issue loans. Therefore, this has also improved the efficiency of commercial banks in handling factoring services.

Fifth, the capital of commercial Banks is in excess. Although People's Bank of China raised the deposit rate 14 times in the first half of 2007 and 2008, the small and medium-sized Banks in China came under financial pressure, while the major commercial Banks still maintained good liquidity. Tensions were eased in the second half of 2008 when the government downgraded the rating. Therefore, Chinese Banks should pay more attention to how to use the inventory gap to make further profits. In this way, the reverse factoring business with low risk, high demand and large profit space is undoubtedly a very suitable investment channel.

Risk and Risk Control of Reverse Factoring under Online Supply Chain Finance

Risk Analysis

At present, laws and regulations related to reverse factoring financing business are not perfect. Although China's “Property Law”, “Measures for Registration of Accounts Receivable Pledge”,

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“Measures for Registration of Chattel Mortgage”, “Contract Law “and “Guarantee Law” regulate the rights and obligations of all parties, there are still some problems in practice.

First, the relevant laws for the use of accounts receivable in the mortgage financing business is not a strong force of law, and the new financing business, the procedure to need (including mortgage contract accounts receivable, due date, amount, and fulfill the situation), but there is no law to not return the money owed by clear rules[12]. Second, the rationality of accounts receivable itself cannot be effectively reviewed, even with an electronic signature, can only prove that the contract is real. If accounts receivable are incorrect or false, there is a risk that collection will not respond to collection even if the contract exists. Third, for those who do not use accounts receivable as collateral, but use current assets such as inventory as collateral, we cannot fully measure the actual value of inventory. In fact, inventory itself should not be used as a financing mortgage, and its value cannot be judged reasonably according to the index evaluated. At the same time, the evaluation of current assets requires a lot of cost, not accounting. Fourth, the notification system is not complete, may make the registration of SMEs cannot guarantee their own priority. Fifth, when there are a lot of customers, there are more and more accounts receivable that need to be kept, and a third party needs to be involved to keep the funds, but there is no law to regulate the situation of the third-party custody funds.

Risk Control

Risk control should be controlled from three aspects of supply chain finance. First of all, a proper evaluation should be made on suppliers. Although a core enterprise has many corresponding suppliers, it should try to choose those suppliers with good credit and high income as far as possible. The supplier needs to provide satisfactory products to the core enterprise, so as to ensure that the core enterprise can receive the products, the core enterprise can carry on the following business normally, and the bank can receive factoring fees[13]. Secondly, the core enterprises should also be examined comprehensively. The core enterprises eventually become the repayment person, so in fact, the repayment basis of the financing business itself is the repayment ability of the core enterprises. If the core enterprises fail to pay, companies throughout the supply chain could be at risk of default. Finally, the business contacts between the core enterprises and suppliers should be monitored to ensure the authenticity of transactions and the stability of cooperative relations. At the same time, we should also pay close attention to the property and operation status of core enterprises and financing SMEs to ensure the normal operation of financing business from beginning to end.

Conclusion

In supply chain mode to develop reverse factoring as a new financing mode, can make has been difficult to solve the problem of the small and medium-sized enterprise financing difficulties of improved, and the financing model is not for a single problem of small and medium-sized enterprises to improve, but in the long term of operation mode, the core enterprise in the supply chain, supplier and factor can achieve a state of mutual benefit and win-win, is the industrial chain can continue to operate for a long time. Therefore, the government should improve the legal system, solve relevant problems, build a stable, fair and mutually beneficial platform, and make the reverse factoring financing mode under the online supply chain a feasible way.

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References


