

Study on the Solution to the Financing of Enterprises in Supply Chain Finance

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Abstract

Facing the transition of the market economy, medium-sized and small enterprises financing problem is always a problem in its development. Based on the concept of supply chain finance, this paper studies the background, motivation and advantages of supply chain finance and also discuss the three main financing model of supply chain finance. The success of UPSC and Shenzhen development bank logistics financial demonstrated the possibility of resolving the financing by supply chain finance. Finally, the development trend of supply chain finance is described in summary.

Keywords: Supply Chain Finance; Small and Medium Enterprises; Financing

Introduction

"Perfect financial market system" is the third plenary session of China's 18 "decision" in the important thought of the construction of social market, the report put forward to expand the financial industry opening to the outside world, promoting the reform of policy-based financial institutions, through various channels to promote equity financing, increasing the proportion of direct financing and related financial reform, the idea of financing.

Nowadays, small and medium-sized enterprises accounted for most of our enterprises. But the development of small and medium-sized enterprises has been more difficult. The country has been the concern and supports the development of small and medium-sized enterprises. Compared with large enterprises, it is more difficult for small and medium enterprises to use credit to finance; the difficult problem of financing is a difficult problem to the development of small and medium enterprises. Facing the transition of the market economy, financial institutions are facing tremendous pressure of competition; the traditional financing mode has been unable to meet the needs of the development of the financial industry. Financial institutions and small and medium enterprises are struggling in embarrassment of "Want to loan can't loan" "Want to borrow money to borrow less than money". Supply chain finance arises at the historic moment, it not only can effectively alleviate the shortage of small and medium-sized enterprise capital problem, also can bring new profit growth point of the participating financial institutions. Its purpose is to realize the core enterprise in the supply chain, upstream and downstream, third-party logistics companies and Banks to participate in the main body of multi-win-win situation.

Supply chain finance is a new concept and it has been paid more and more attention in the global market. Supply chain finance is the financial institutions, the third party logistics and supply chain upstream and downstream enterprises to give full play to their respective advantages, such as cooperation, from the viewpoint of the whole industry chain of small and medium-sized enterprise financing demand, disadvantaged in the supply chain financing for small and medium-sized enterprises. At present, our country small and medium-sized enterprise has more than 42million, accounting for 99% of all enterprises in China, the output value accounted for 60%, taxes accounted for 43%, but the financing of small and medium-sized enterprises accounted for only about 30%. Because of its characteristics, financing difficult problem has been plagued by small and medium enterprises. Supply chain finance is an effective way to solve the financing of small and medium-sized enterprises; the study has an inestimable value.

1. The Background and Motivation Supply Chain Finance

1.1 The Background of Supply Chain Finance

At the end of twentieth Century, supply chain finance business as an innovation of commercial bank was concerned by the market. Entrepreneurs and scholars have found that, the whole supply chain financing cost offshore outsourcing activities cause some nodes, and flow of funds bottleneck brought the "short board" effect. As a result, the value of the financial supply chain management discovery process began to deepen, the concept of supply chain finance emerged. Supply chain finance innovation entity background includes the following aspects: change the evolution of division of labor and manufacturing mode; the rise of supply chain management; the growth of global trade.

1.2 The Appearance Motivation and Advantage Analysis of Supply Chain Finance

In 1999, Shenzhen development bank individual branch at doing business in the local financial explored and attempted for the supply chain. In 2003, Shenzhen development bank first proposed the "1 + N" mode of financing. Feng Jingsheng, the Deputy Secretary of Anhui Province Agricultural Bank Chinese Association put forward three big advantage of Supply Chain Finance: capital operation shows the relative safety and expansion; the advantages of reliable use value and added value of capital operation; it is easy to found training high-quality clients and groups. Aberdeen (2007 b) explained the core of the supply chain finance is focused on embedded in the supply chain cost of financing and settlement, and constructed the optimization of the process for supply chain cost.

2. The Supply Chain Finance Financing and Operating Mode

According to the characteristics of the small and medium-sized enterprise operation management cycle is recognized has the following three financing modes.

2.1 Accounts Receivable Financing Mode

It is known as the accounts receivable financing with outstanding management of accounts receivable financing to financial institutions. Based on supply chain financial accounts receivable financing, it is right for the supply chain upstream enterprise financing. Accounts receivable financing makes financing enterprises can timely access to short-term credit loans, commercial Banks provide not only helps to solve the financing enterprise short-term capital demand, speeds up the small and medium-sized enterprise healthy and steady development and growth, but also to the entire supply chain for efficient operation.

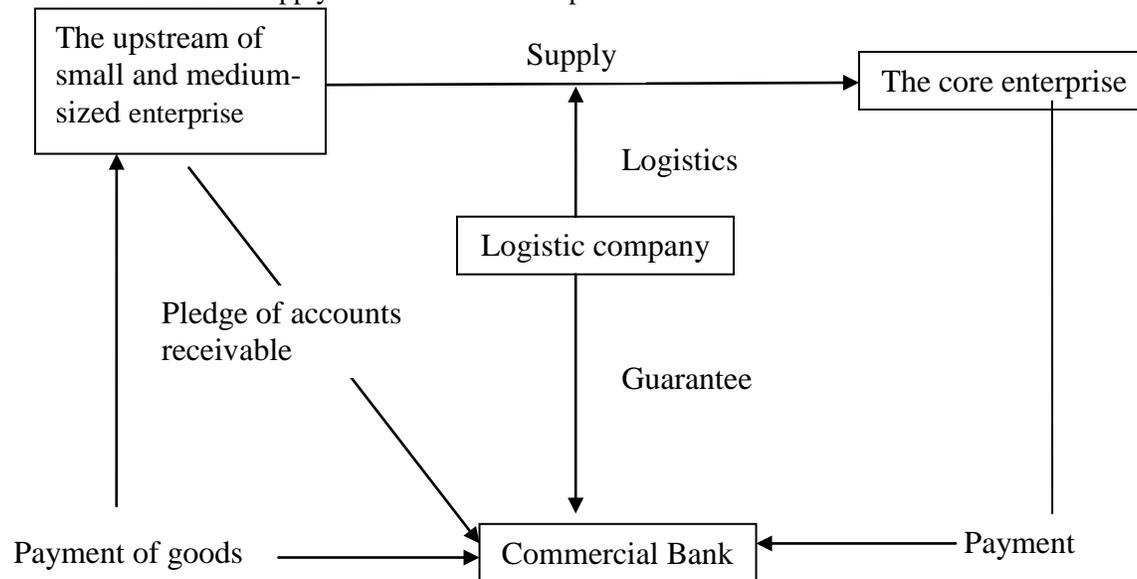


Fig. 1 Accounts Receivable Financing Mode

2.2 Confirming Warehouse Financing Mode

Confirming warehouse business, is the supplier (hereinafter referred to as the "seller") under the premise of commitment to repurchase, financing enterprises (hereinafter referred to as the "buyer") apply to the bank to the seller in the bank designated warehouse set of pledge of warehouse receipt for loans, and controlled by the bank the right to take delivery condition of financing business. Confirming warehouse business is applicable to the seller buy back under the conditions of purchase. Business in addition to confirming the warehouse need to be in the supply chain upstream suppliers, downstream manufacturers (financing enterprises) and Banks to participate in, storage regulators also need to participate in, mainly be responsible for the assessment and supervision of the pledged goods. Confirming warehouse business needs the upstream enterprise pledge, thus reducing the credit risk of the bank. Financing by confirming the warehouse business partial payment is received and partial extraction of the rights of the goods, so it effectively alleviate the pressure enterprise short-term funds.

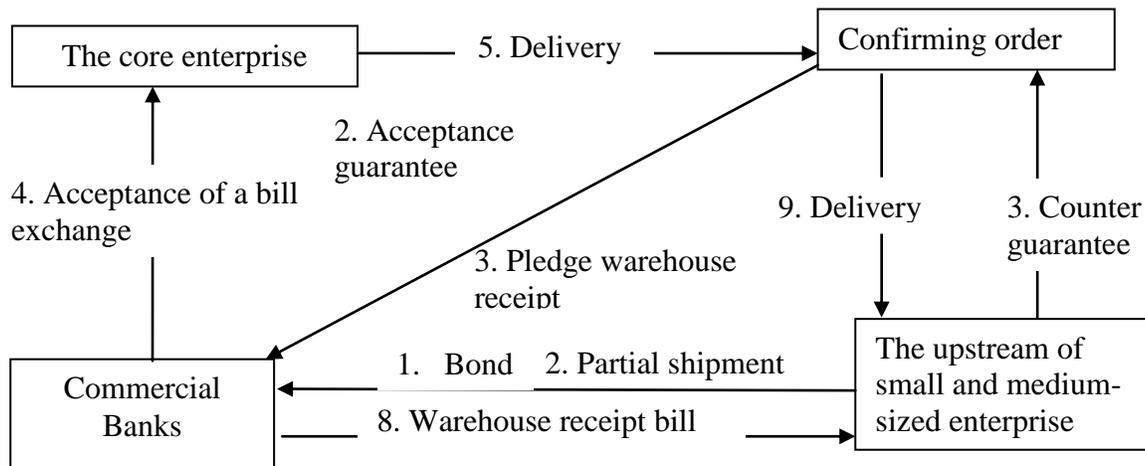


Fig. 2 Confirming Warehouse Financing Mode

2.3 Movable Property Pledge Mode

Movable property pledge is the commercial bank to the borrower's own goods as the pledge, to the borrower credit loan business. The model mainly took the form of the impawning of movable property, will be small and medium-sized enterprise, inventory, warehouse receipt of goods certificate such as chattel pledge and make payment to the bank. It solves the small and medium-sized enterprises lack of liquidity and improves the capacity of small and medium-sized enterprises.

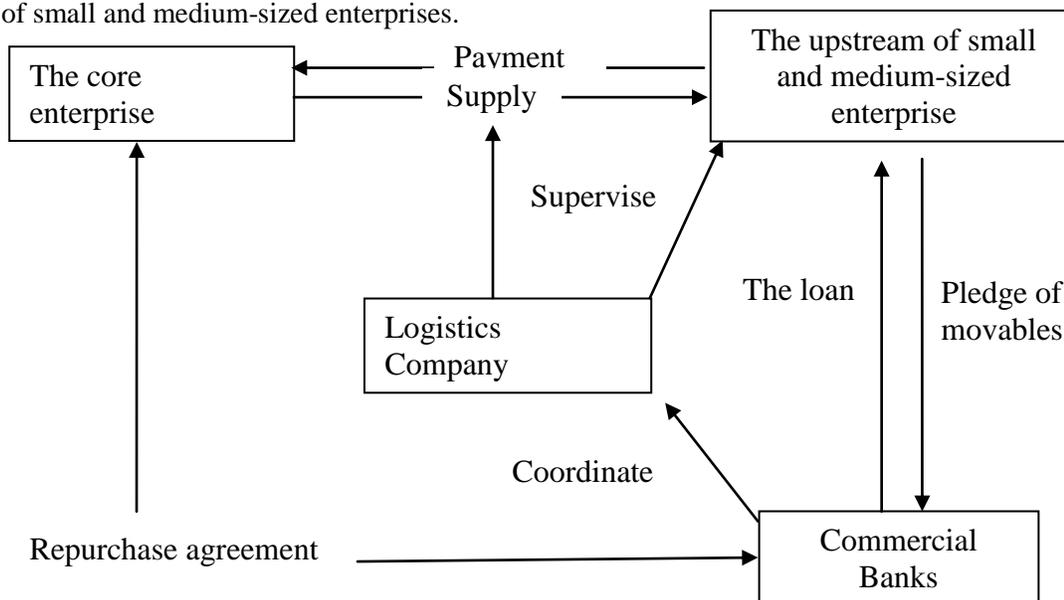


Fig.3 Movable Property Pledge Mode

3. The Analysis of Cases

3.1 UPSC Financial Logistics Solutions

In 1998, UPS acquired the First International Bank, It was reformed into a division of UPS(UPSC)and it began to provide financial and logistics service. The new service system of UPSC includes traditional and non-traditional financial products and mainly focused on four key areas.

- To strengthen the cash flow: C.O.D. (cash on delivery) value-added services based on the assets of business loans, equipment leasing, UPS capital Visa platinum card, the merchant service plan.
- Management trade risk: Cargo insurance, C.O.D. safety insurance, credit insurance, flexible package.
- The international trade: Accounts receivable management services, export operating capital, export credit agency financial, business credit.
- Small business loans: SBA7 (A) plan, SBA504 plan, SBA loans, concession financing, professional business purchase, commercial construction loans and commercial mortgage loans, commercial loans and revolving loans.

In a typical value-added services and mat endowment service, for example, UPSC financial logistics operation mode is as follows. In the value-added logistics services, UPSC as a middleman between large enterprises and thousands of small and medium-sized exporters dealing, money should be sent to exporters in two weeks, and the prerequisite is to embrace the export customs clearance, cargo services and receive a substantial fee, this kind, small exporters get timely cash flow, and they have their own Bank UPS with large purchasing companies one-on-one settlement.. In terms of mat endowment service, in the logistics business process, when UPS is the shipper shipping goods, UPS firstly for delivery advance half payment; when delivery of goods are delivered to the UPS payment. After entering the Chinese, UPS Shanghai representative office has cooperated with Shenzhen Development Bank and other banks, the logistics is completely determined by its control of enterprise, introducing material advance. Products from the factory to send to warehouse abroad, can make in transit and inventory financing, and can be further Syria, which should collect leisurely buyout, namely the factoring.

As a leading financial service, logistics capital UPSC has some special advantages. First, from the perspective of the development trend of the logistics, logistics enterprises are increasingly involved in to the customer's supply chain management, understanding the operating conditions of buyers and sellers of credit level, so it is more convenient when credit risk assessment, the risk can be effectively reduced. Second, the UPS has a global cargo tracking system. Third, UPS as a high degree of specialization of logistics enterprise, it can enjoy the convenience when the goods turn into the cash.

3.2 The whole Logistics Finance of Shenzhen Development Bank

"The entire logistics mode" refers to the enterprise itself or legally owns the goods stored in enterprise group system under the condition of multiple storage nodes or transportation process, which approved by the bank of the third-party logistics company to make 24 hours all the aforesaid goods process close supervision, and ensuring that the overall value is higher than the bank credit the required minimum value, on the basis of perfecting mortgage registration, the bank provided financing to the enterprise.

3.2.1 The Market Potential of Promoting Mode

The Bank of Shenzhen to take the "logistics" financing mode has the following market potential.

(1) Large enterprise logistics outsourcing trend, created a market for "the entire logistics" model space. Large-scale production and flow-through enterprises generally face reduce logistics cost, improving the efficiency of supply, reducing inventory, compressing the non-main business assets. Therefore it become more and more enterprise's strategic choice to put the non-core business outsourcing to a third party logistics companies.

(2) Large logistics enterprise logistics supply and service ability increase rapidly, and the bank cooperation innovation with a strong will. Traditional highways, waterways, railways, aviation and continuously strengthen the connection and gradually reach the integrated transport phase. At the same time, the logistics industry is also gradually from single a transport to distribution, warehousing, packaging, processing, integration of financial service development, to the development of supply chain integration and management.

(3) The concept of "floating charge" strengthens the legal basis "the entire logistics" pattern. In addition, "the entire logistics" model has the basis of many logistics node value aggregation way of mortgage guarantee, inventory change is bigger. So each node aggregation value stable in terms of logistics system, has the special suitability.

3.2.2 The Interests of All Parties

The entire logistics financing mode of Shenzhen Development Bank achieved multiple benefits.

- The traditional local stock pledge mode of a breakthrough, expanding the bank business space.
- Implementing the mutual benefit of Banks, customers, logistics company tripartite.
- The control of financing risk is more flexible.

4. The Prospect of Supply Chain Finance

So far, the research of supply chain finance is still not enough mature, especially the research on risk management, so the trend of future research is mainly on the credit risk and divided into the following points. First, it is worth thinking about the choice of methods and analysis. Second, it need to use structural equation modeling techniques. It is also the problem of financial risk management of supply chain need to discuss about exploring and examining banks, a third party, and the mutual relations between and among node enterprises of supply chain and the mechanism of action. Third, the establishment of a comprehensive system architecture and frame work of supply chain risk management. At the same time, the operation risk is also important source of risk. In addition, different financing scheme will involve other risks, such as inventory financing. Therefore, the comprehensive risk management needs analysis of various financing products and sources of risk, especially for Panel Data, the establishment of risk index system, this is the problem worth considering.

5. Conclusion

Small and medium-sized enterprises accounted for most of our enterprise, but the development of small and medium-sized enterprises has been difficult, countries have been attention to and support the development of small and medium-sized enterprises. the difficulty of small and medium-sized enterprise financing has always been a big obstacle to hinder its development, the emergence of supply chain finance solved this difficult problem. In recent years, supply chain logistics is developing rapidly, but the main is on the transport, storage and how to save cost on the level of research. Based on the concept of supply chain finance, this paper combines the two hot research finance with supply chain, using two cases at home and abroad, analyzing the advantages of supply chain finance for small and medium-sized enterprise financing problems. As big companies are constantly looking for low - cost business location in the global scope, comparative advantage among different companies, countries and even within a country, different area is continuously developing and strengthening. Both the suppliers and buyers, the importance of timely production and delivery is more and more important. In this process, trade and production of finance is very essential. For financing banks, because of the financial supply chain operations, it is better to obtain first-hand information; they are closely tracking the situation of production and operation, so as to reduce credit risk. The study has practical significance, which can bring real reference value for many enterprises.

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