

# Analysis of SME Financing Model from the Perspective of Supply Chain Finance

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## Abstract

Supply chain finance is a financial innovation aimed at reducing the cost of supply chain financing and solving the shortage of funds in supply chain nodes. Based on the core concepts and characteristics of supply chain finance, this paper makes a comparative analysis of financing dominance, operational advantages, information control, and legal environment. Finally, it discusses the potential financing advantages of SMEs based on supply pile finance, so as to solve China The difficulty of financing SMEs provides a new idea.

## Keywords

Supply chain finance; SME financing advantages.

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## 1. The meaning and characteristics of supply chain finance

Supply chain finance is to provide comprehensive financial services to a single company in an industrial supply chain or multiple companies in the upstream and downstream to promote the stability and smooth flow of the "production, supply, and sales" chain of the supply chain core enterprises and upstream and downstream supporting enterprises And through financial capital and industrial economic cooperation, build an industrial ecology of mutually beneficial coexistence, sustainable development and healthy interaction of banks, enterprises and commodity supply chains. In recent years, the supply chain finance business has developed rapidly around the world. According to estimates, the growth rate of supply chain finance business in developed countries in 2011 was 10% to 30%, while in emerging economies such as China and India, the growth rate was between 20% and 25%.

## 2. Characteristics of Supply Chain Finance

The biggest feature of supply chain finance is to find a large core enterprise in the supply chain operation, and use it as a starting point to provide financial support for related enterprises in the entire supply chain. This overall financing solution effectively injects funds into the relatively weak upstream and downstream supporting SMEs, thereby solving the problems of SME financing difficulties and supply chain imbalances. Supply chain finance also integrates bank credit into the purchasing and marketing behavior of upstream and downstream SMEs. Its commercial credit improves its negotiating position, encourages supply chain members to negotiate more equitably and gradually establish long-term strategic synergies, enhances the competitiveness of the entire supply chain, and promotes the sustainable and stable development of the entire supply chain. This financing model breaks away from the traditional limitation of credit financing of a single enterprise and stands at the height of the entire industrial supply chain. By integrating the industrial economy and providing innovative financial services, it not only avoids the difficulties in SME financing, but also extends the finance of commercial banks. service.

Supply chain finance has the characteristics of long-term stability, credit integrity, financing outsourcing, and easy risk control. The first three characteristics can well solve the problem of excessive financing transaction costs in the financing process, and the latter characteristic can be very good. Solve the problem of financing risks.

(1) Long-term stability. The operation of supply chain finance is set up based on the transaction activities between enterprises in the entire supply chain, and it can run along with the production cycle of the supply chain. Banks use long-term funds to run long-term business relationships, which includes financial services throughout the supply chain and saves transaction costs.

(2) Credit integrity. The integrity of supply chain financial credit financing is reflected in the scope of financing subjects, which involves almost all enterprises in the supply chain. In terms of credit structure, supply chain finance not only provides many short-term financing schemes, but also forms of long-term financing. Almost all of its financing funds are allocated on the basis of logistics, information flow and capital flow in the supply chain

(3) Outsourcing of financing. In the design of supply chain finance, a financing service agency is introduced, which acts as the financing arrangement for SMEs in the supply chain. When the SMEs have financing needs, as long as the corresponding design conditions are met, funds can be quickly obtained, which can greatly reduce the transaction costs generated by financing and improve financing efficiency.

### **3. Supply chain finance model for SMEs**

Capital flow is the blood of an enterprise, and the status of the enterprise's capital flow will determine the fate of the enterprise. Because the expenditure and income of corporate funds often occur at different times, a cash flow gap will occur during the operation of the enterprise. Generally speaking, the cash flow gap of SMEs often occurs in the three stages of procurement, operation and sales.

#### **3.1 Supply Chain Financing in the Procurement Phase-Financing Mode for Prepaid Accounts**

In the procurement stage, a supply chain financing business model based on prepayment financing is used to delay the "cash payment" time as far as possible, thereby reducing the cash flow gap. In the daily operation phase, a supply chain financing business based on movable property pledge is used. Model to make up for the cash flow gap from "cash paid" to "sell inventory" During the sales phase, a supply chain financing business model based on accounts receivable financing was used to make up for "sell inventory" and "cash received" Cash flow gap during the period.

#### **3.2 Supply Chain Financing in the Operation Phase-Movable Property Pledge Financing Model**

Movable property pledge business is a business in which a bank uses a borrower's own goods as a pledge to issue a credit loan to the borrower. Due to the strong liquidity of raw materials, finished products and other movable properties and the provisions of China's laws on the effective conditions of pledges, financial institutions face great challenges in the tracking of movable properties, warehousing supervision, pledge procedures, price monitoring and even liquidation. This has brought huge risks to financial institutions' loans. Therefore, movable property has not been favored by financial institutions, and even if SMEs have a lot of movable property, they cannot obtain loans accordingly. Based on this, the supply chain financing model designs a movable property pledge financing model under the supply chain.

#### **3.3 Supply Chain Financing at the Sales Stage-Accounts Receivable Financing Model**

Accounts receivable financing mode refers to the business model in which the seller transfers unexpired accounts receivable under credit sales to a financial institution, and the financial institution provides financing to the seller. Accounts receivable financing based on the supply chain is generally financing for small and medium enterprises upstream of the supply chain. SME upstream creditor enterprises, core enterprise downstream debt enterprises, and financial institutions all participate in

this financing process. The core enterprise plays an anti-guarantee role in the entire operation. Once a problem occurs in the SME of the financing enterprise, the core enterprise will assume the responsibility to make up for the losses of the financial institution .

#### 4. Conclusion

As a new supply chain finance, even in the country International research has just begun. Although domestic experiments have begun in China, the theoretical exploration is still just beginning. At the beginning, the nature and characteristics of supply chain finance, the operating mechanism of supply chain finance, and the management of supply chain finance. The characteristics of physical technology and the grasp of supply chain financial risks lack systematic theoretical research. Radiochemical. Once the core enterprise group's capital chain breaks down, it will inevitably affect the entire supply chain finance. It is the cooperation between universities, financial research institutions and enterprises to actively carry out research on supply chain finance, and strive to theoretically and. In practice, grasp the core content and operation key of supply chain finance to avoid losses.

#### 5. Foundation

1. S201913892096 <Development and research of new energy charging pile in hainan province>
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