

# Research on the Impact of Supply Chain Finance on the Financing Constraints of SMEs

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## Abstract

**In the diversified economic market, small and Medium-sized enterprises contribute to social economic growth, and these enterprises are facing the situation of coexistence of opportunities and challenges in the actual development process. SMEs are affected by supply chain finance, whether it is their own scale or other operational factors, making financing difficult. According to the characteristics of supply chain finance, this paper discusses the strategies and suggestions for promoting the financing development of smes, and provides reference significance for related research.**

## Keywords

**Supply Chain; Supply Chain Finance; SME Financing Constraints.**

## 1. Introduction

In China's market body, small and Medium-sized enterprises play an important role in promoting the steady rise of the national economy. The actual development process of small and Medium-sized enterprises, while making remarkable achievements, is also facing the difficulty of financing constraints, if not properly handled, it will not only fall into development difficulties, but also make small and Medium-sized enterprises face economic crisis and bankruptcy. In order to go out of the path of modern development, small and Medium-sized enterprises should strengthen their understanding and cognition of supply chain finance, reduce the binding force of financing, and win a broad space for legal development.

## 2. Overview of Supply Chain Finance

Supply chain finance, in the modern sense, was first produced in 1980, referring to a complete chain system, including commercial banks, core enterprises, small and Medium-sized financing enterprises and third-party institutions. Supply chain finance refers to a new type of financial business system that evolves in the real economy and reduces the binding force of financing according to supply chain management activities [1]. Effectively play the role of supply chain finance, mobilize all participants in the supply chain, and improve the efficiency of capital use. Supply chain finance needs to start from the actual situation of enterprises, use the supply chain system (including supply chain systems, financial systems, etc.) to achieve upstream and downstream purchases and sales within the controllable scope of enterprises, improve the integrity and comprehensiveness of controllable risks, reduce uncontrollable risk crises, and promote the sustainable development of supply chain finance for small and Medium-sized enterprises by minimizing operational risks.

Compared with the traditional financing model, supply chain finance aims to create a financing margin for small and Medium-sized enterprises, during which it adopts the method of prepayment and uses bank commitment drafts as the carrier. Under the supply chain finance model, the repurchase of the upstream core enterprises is the guarantee, and the bank needs to

collect the corresponding margin, showing the following three operating modes: First, the accounts receivable financing model, around the upstream small and Medium-sized enterprises in the supply chain, the implementation of normal delivery channels (upstream suppliers to the downstream core enterprises delivery), the core enterprises do not pay, the upstream suppliers create accounts receivable, this receivables becomes the main source of repayment of the bank, and the core enterprises bear the guarantee responsibility. The second is the prepaid account financing model, the upstream core enterprises require the downstream small and Medium-sized financing enterprises in the supply chain to take the first prepayment of the account to deliver the house, financial institutions and banks will transfer the supply to the upstream sales enterprises, during which the prepaid accounts are the main performance. The third is the inventory pledge financing model, to small and Medium-sized enterprises (business or trade) as the object, the bank to develop a third-party supervision of goods, the income from the sales process is used to repay, if there is a default, the bank can sell the goods to eliminate risks. The three financing models have their own advantages and disadvantages, which should be reasonably applied in light of the actual situation, and pay attention to the static and dynamic operation of small and Medium-sized enterprises.

Supply chain finance has the following two characteristics: First, the supply chain is manifested as an overall development, integrating core enterprises, upstream and downstream SMEs and banking institutions, and there are commonalities in both financing mode and information transmission. Second, the supply chain relies on big data technology, which has the characteristics of centralization, and the integration and application of a variety of technical means to effectively improve operational efficiency [2].

### **3. The Importance and Necessity of Supply Chain Finance for the Development of Small and Medium-sized Enterprises**

#### **3.1. Help to Solve the Problem of Information Asymmetry between Banks and Smes**

In the whole supply chain finance, first of all, according to its own advantages and attributes, the bank comprehensively grasps the information of all enterprises, predicts the possible risks in advance, and creates a targeted response strategy. Secondly, when banks and other financial institutions deal with their actual business, they strengthen corresponding regulatory measures around small and Medium-sized enterprises, including product inventory, account operations, and fixed assets. Finally, supply chain finance, as an organic unity, provides support and development momentum for small and Medium-sized enterprises, and commercial banks establish a good relationship of trust with small and Medium-sized enterprises and effectively play a good regulatory role.

#### **3.2. Contribute to the Promotion of Liquidity for SMEs**

In the practice of the supply chain financial system, in addition to the core enterprises in the upstream of the supply chain, the downstream small and Medium-sized enterprises, and the financial banks, third-party logistics companies are also an important part. The business development of small and Medium-sized enterprises needs to be in line with reality, purchase sufficient raw materials, promote the production and sales process, and test the liquidity of assets, and finished products are key indicators. That is to say, small and Medium-sized enterprises are inseparable from the working capital power provided by the supply chain finance model, and supply chain finance not only resolves the capital situation for small and Medium-sized enterprises, but also promotes the improvement of the operation and management level of small and Medium-sized enterprises. In the supply chain financing model, commercial banks take corresponding financing measures according to the use of SME

development funds [3], while ensuring the operation of third-party logistics enterprises, and the controllability of the operation and operation of the entire SME is improved, which promotes the increase in the return on capital to a certain extent. Third-party logistics companies stabilize logistics and warehousing links, bring lasting development momentum to small and Medium-sized enterprises, not only enhance the core sense of competition, but also enable small and Medium-sized enterprises to move towards a higher level of development.

### **3.3. Help Reduce the Financing Risk of SMEs**

According to the supply chain financing model, most smes adopt the method of raising funds (or bank lending) to make up for their poor financial risk capabilities and enhance the protection of financial crisis mitigation, taking into account the scale of operation And the scope is small, the capital turnover in a short period of time can not promote the good development of enterprises, while supply chain finance promotes cooperation between small and Medium-sized enterprises and core enterprises to expand the space for financial support. Banks implement and implement the actual risks to other enterprises according to the small and Medium-sized enterprises in the downstream of the supply chain, so that the small and Medium-sized enterprises can survive the economic crisis. The implementation of supply chain finance enables small and Medium-sized enterprises to see their own strengths and weaknesses, efficiently use supply chain development funds, improve their core competitiveness, strengthen technological innovation, expand scientific and technological research and development, and fully reflect the core competitiveness of small and Medium-sized enterprises. Supply chain finance is based on core enterprises, strengthening the connection between SMEs and banks, obtaining financial support, and planning development initiatives as a whole[5].

## **4. The Current Situation of Financial Financing in the Supply Chain of Small and Medium-sized Enterprises in China**

### **4.1. Overall Development of Small and Medium-sized Enterprises**

Taking the current situation of supply chain finance financing in a province of our country as an example, it is confirmed that the role of small and Medium-sized enterprises cannot be ignored, and through the integration of supply chain finance advantages, it has made outstanding contributions to local economic development. In the "China Statistical Yearbook 2018" document, the number of small and Medium-sized enterprises employed in a province in 2017 was as high as 4.05 million, compared with 410,000 in the previous year, indicating that the local small and Medium-sized enterprises have developed rapidly, bringing considerable employment prospects to people, and the employment level has increased significantly; the economic value and social service data created by small and Medium-sized enterprises in the province have risen significantly, and the gross national product of the province has continued to increase, and more than 1/2 of the overall tax data has been obtained from local small and Medium-sized enterprises.

### **4.2. Financing Difficulties for SMEs are a Core Issue**

At present, the financing difficulties of SMEs are the core problem. First of all, information resources are not equal, small and Medium-sized enterprises occupy the middle and lower reaches of the market competition, but face higher operational risks, especially in the application for credit from banks, information data is one-sided, often take the form of mortgage, invisibly increase more financing difficulties. Secondly, the moral hazard problem, compared with large enterprises, small and Medium-sized enterprises bear too high loan interest rates, in order to protect their own economic profits, during the period will invest in high-risk projects, if the operation is improper, it is easy to cause more financing problems. Finally, the transaction cost is too high, in the consideration of its own operating scale, although

the financing amount proposed by small and Medium-sized enterprises is small, but the benefits brought by the later period of reporting are not significant for a short time, or even lower than the loan amount, this dependence, banks and small and Medium-sized enterprises no longer want to carry out reception business[5].

## **5. Path Analysis of How SMEs Finance Constraints**

### **5.1. SMEs Pay Attention to Their Own Construction**

Small and Medium-sized enterprises should be taboo to rely entirely on the supply chain financial financing model, should continue to strengthen their own enterprise construction, innovate the business development model, break the traditional development conventions, from the original processing and manufacturing, and gradually transition to scientific and technological research and development. Small and Medium-sized enterprises should combine the actual situation, pay attention to the innovation of product production and sales, and effectively improve the core competition level through continuous independent innovation. Small and Medium-sized enterprises should be highly aware of the supply chain financial financing model, strengthen cooperation with upstream enterprises in the supply chain, create a harmonious and harmonious business relationship, and flexibly use accounts receivable, prepaid status, inventory mortgage and other methods to increase development fund support and deeply promote the comprehensive development of enterprises in combination with specific conditions. It should be noted that small and Medium-sized enterprises should scientifically predict potential capital risks according to the actual operating conditions, each production and sales link, reasonably grasp the operation situation, financial risks, financing problems, etc., and plan the overall development of enterprises. In order to obtain the good trust of core enterprises and financial institutions in the upstream of the supply chain, smes and small and Medium-sized enterprises should create real and effective financial data, maintain a good credit status, and win more development opportunities for enterprises through the long-term cooperation system of various entities in the supply chain.

### **5.2. Financial Institutions Play a Good Role**

In the process of practicing the entire supply chain financial financing model, financial institutions such as commercial banks play an important role, and banks need to improve their understanding of this financing model[6]. Banks should comprehensively analyze the supply chain financial system, create harmonious communication and cooperation with all enterprises on the chain, expand the breadth and depth of financing business, and obtain more economic benefits while reducing and controlling loan risks. Financial institutions should actively play a good role in supply chain finance, and on the basis of examining the authenticity of core enterprises and small and Medium-sized enterprises, build a good guarantee method, in order to promote the common development of the three parties, banks can appropriately reduce and adjust loan risks. In addition, in the market for credit to small and Medium-sized enterprises, financial institutions should create a market supervision mechanism, in addition to opening up the credit market for small and Medium-sized enterprises, but also to increase the intensity of credit investment, to create more favorable conditions for the development of enterprises; in order to ensure the financing difficulties of small and Medium-sized enterprises, financial institutions should further strengthen the construction of the system, innovate the supply chain financial model, strengthen the sharing of financing information, and ensure the good operation of supply chain finance. Financial institutions should build an information feedback system between supply chain entities according to the data of supply chain enterprises, promote the sharing and co-construction of information resources, and according to the actual operation of the supply chain, around small and Medium-sized enterprises, not only to shape the credit risk

evaluation model, but also to formulate a later risk control method to achieve dynamic supervision of enterprises.

### 5.3. The Government Will Increase Special Investment

Government departments should give play to the role of market macro-control, according to the operation of supply chain finance, increase support, build a bond between commercial banks and small and Medium-sized enterprises in the middle and lower reaches of the supply chain, after observing the status of cooperation, around small and Medium-sized enterprises, timely issuance and introduction of practical preferential policies, to promote the efficient operation of supply chain finance. According to the credit repayment of small and Medium-sized enterprises, government departments should not only set up credit guarantee institutions, but also improve the laws and regulations of the financial market, avoid some enterprises and banks from "exploiting loopholes" in cooperation, and make the supply chain financial supervision system more perfect. In addition, the government should strengthen the supervision of rating agencies, formulate credit rating standards for small and Medium-sized enterprises in light of market conditions, and ensure good relations of long-term cooperation [7].

## 6. Conclusion

The efficient operation of the supply chain financial system, for small and Medium-sized enterprises in the downstream of the supply chain, should be based on market planning and operation, and strengthen the association and bundling with financial institutions such as enterprises and banks. According to the operation of small and Medium-sized enterprises such as capital flow, information flow and logistics, targeted supply chain integration and optimization measures are taken to improve operational efficiency, focus on solving financing difficulties, and promote the healthy and harmonious development of enterprises.

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