

Analysis on Internet Financial Business and Construction of Credit System

Anzhi Yang

The No.3 Middle School of Fuzhou, Fuzhou, China

Abstract: Internet finance is a new emerging financial model, using the Internet as a platform, big data and cloud computing as the basis. Supply Chain Finance is the easiest way to enter Internet finance. The third-party companies or institutions can invest in Internet financial companies by integrating their industrial chain practices into designing the financial products to reduce credit costs and improve safety. At the same time, it will increase mobile Internet, big data and operational services. Also, it can make full use of the Internet financial platform to provide value-added services for higher and lower enterprise and consolidate the core status of the company in the industrial chain. However, an important issue that needs to be concerned during developing Supply Chain Finance is the construction of a system for credit evaluation. Due to the lack of a unified credit evaluation system, the development of the existing Supply Chain Financial companies suffers from difficulties. Many newly launched companies have difficulties operating due to the lack of a credit evaluation system. Therefore, proper and effective credit indicators are essential for the development of enterprises under Internet finance. From the micro perspective, it is conducive for enterprises to improve their credit under the constraints of indicators, and it can solve the problem of capital raising; from the macro perspective, it is conducive to the standardized development of China's Internet finance and promotes the comprehensive economic development. Based on this, analyzing the model of Internet financial business and developing an enterprise's credit index system is beneficial to the development of China's Internet finance.

Keywords: Internet finance; business analysis; credit

system

Publication date: April, 2020

Publication online: 30 April, 2020

***Corresponding author:** Anzhi Yang, wangpeiyan@xyzrgroup.com

1 Analysis on the Content of Supply Chain Financial Services

1.1 Meaning of Supply Chain Finance

Supply Chain Financial Services refer to the third-party logistics companies (or external financial institutions, internal core companies) in the supply chain, financial services (such as financing, payment, settlement, insurance and guarantee) for companies with insufficient funds, whose capital operation can be value-added^[1-3].

1.2 Value of Supply Chain Finance

(1) For enterprises, the main value is to obtain bank financing, expand production and sales and grow rapidly, obtain other value-added services, and improve their capacity of management. (2) For logistics supervisors: the main value is to provide customers with value-added services, new customers and profits to better provide professional advantages. (3) For banks: Effectively control the risk of credit and maintain excellent quality of asset, increase customers and income, and provide value-added services to customers. (4) For the country and society: provide realistic ways to solve the financing difficulties in small and medium-sized enterprises, explore new ways for the development of small and medium-sized commercial

banks, and become the indicator of the banking and logistics industry.

2 Examples of Supply Chain Finance

To facilitate the research and analysis, Yonghui Supermarket is studied as an example. This enterprise is a private large joint-stock enterprise developed by Fujian Province in promoting the transformation of traditional farmers' markets to modern ways of distribution. Yonghui Supermarket is one of the first distribution companies in China to introduce fresh agricultural products into modern supermarkets. It is a national double-headed enterprise of distribution and agricultural industrialization. The model is recognized as a supermarket for people's livelihood.

2.1 Advantages of its development

(1) In Fujian Province, Yonghui Supermarket is a local company, with an absolute advantage in the number of stores and the business scale. (2) Yonghui Supermarket has diversified brands, diversified channels for selling, sticking to small profits and high volume. (3) Yonghui Supermarket opened an online shop and launched it on WeChat Mini Program, with rapidly growing online sales and digitized users.

2.2 Selling models

(1) The suppliers of Yonghui Supermarket are mainly provincial and municipal distributors, regional agents, channel distributors, and manufacturers. (2) Suppliers are divided into four major types: a. Fresh and agricultural products, (with a closed circle of self-operated supply chain of fresh food, so the downstream data of consumption can be given feedback to adjust the quantity of the product); b. Supplies (the food supply chain undergoes within the regions, so it can maximize the reduction of logistics costs); c. Clothing (with independent design of the specifications and version, and then bid across the country to effectively reduce the production costs, adjust the production direction according to sales); d. Processing (Yonghui Supermarket's suppliers are mainly provincial and municipal distributors, regional agents, channel distributors, and manufacturers).

2.3 Operating Models

(1) Yonghui Supermarket has a system of supplier service, which is provided by the suppliers of Yonghui Supermarket. Yonghui Supermarket gives orders to

suppliers through the system of supplier service, and the suppliers deliver to the logistics. Logistics will distribute the goods to each store. Yonghui Logistics will charge the suppliers a fee for distribution within a certain percentage. After the supplier provides the goods to Yonghui Supermarket, it needs to receive the payment through the process of checking accounts --- invoicing --- payment. And the system concludes the information of the transaction, so the supplier can conduct the business analysis and summary. (2) Because the products operated by supermarkets are mainly fast-selling goods, a model of manufacturer-supplier-supermarket has been formed. Since the supermarket has a certain period of accounting, the dealers cannot quickly reclaim the funds, so a large amount of advance funds are required to ensure the operation. Therefore, it formed a mode of getting small profits but large volume. (3) China's Guangfa Bank intervened in the trading process between Yonghui Supermarket and the suppliers, linking Guangfa Bank's cash management system with Yonghui's supplier service system and authorizing Guangfa Bank to manage its supplier service system.

2.4 Guangfa Bank

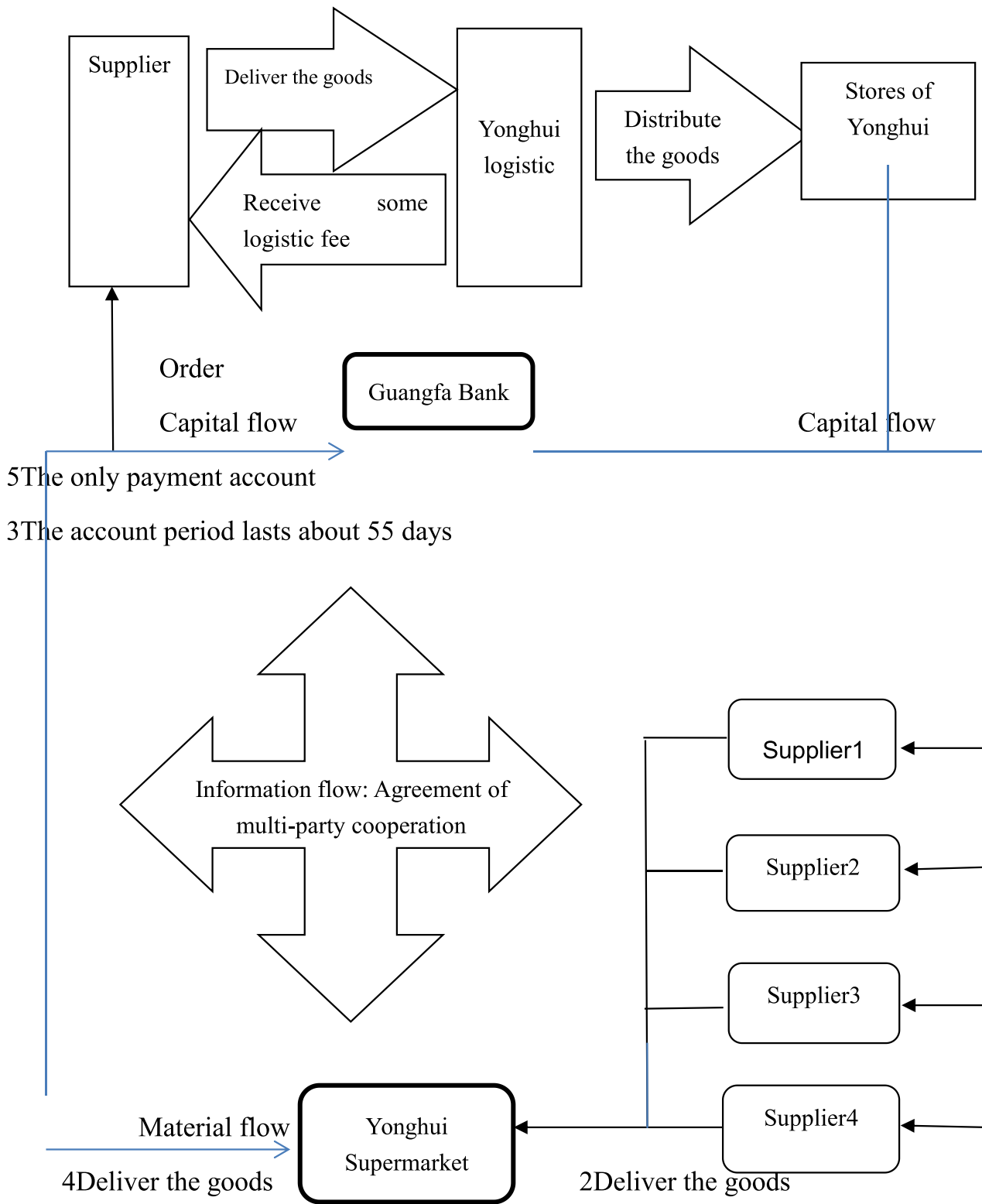
(1) Effectively supervise the cash flow and logistics, based on the supply and selling process and Yonghui Supermarket's information management. (2) Lock Yonghui Supermarket's repayment account at Guangfa Bank to control the credit risk and provide it with short-term loans such as current capital loans and bills of exchange. (3) The supplier shall hand over the user's name and password of the Yonghui Supplier Service System to Guangfa for holding and can inquire about the transaction between the supplier and Yonghui at any time. (4) For Guangfa, on the one hand, it can strengthen its cooperative relationship with Yonghui Supermarket. Through Yonghui Supermarket, it can also effectively control the credit risk; on the other hand, it can increase Guangfa's customers and its intermediate business income as well as other comprehensive income.

2.5 Supply Chain Finance

At present, the shortcomings of the supply chain are as follows: (1) The infrastructure is backward, and the demand and supply are unbalanced. For example, in some densely populated areas or more developed cities, the supply cannot meet the demand; (2) The market for product distribution is limited, and slow-selling

often occurs. For example, fresh products can be kept fresh for short time, and people tend to buy the freshest products, so slow-selling of some fresh products and agricultural products often occurs; (3) There are many distribution links and high rates of loss. For example,

in the storage of fresh agricultural products, a lot of losses are caused; (4) The product quality and safety are not guaranteed. In the supply chain finance of Yonghui Supermarket: the process of logistics, capital flow and information flow.



In conclusion, this model achieves a win-win result for Yonghui Supermarket, suppliers and Guangfa Bank: For Yonghui Supermarket, on the one hand, it strengthens the cooperation between Yonghui and the suppliers, assist the development of suppliers and strengthens Yonghui's control over suppliers; For suppliers, it solves the need for funds, expands the sales, and speeds up the development of the company; for Guangfa Bank, on the one hand, it strengthens its cooperation with Yonghui Supermarket. Yonghui Supermarket can also effectively control the credit risk; on the other hand, it expands the customer base of Guangfa Bank, and increases its comprehensive profits like intermediate business income.

2.6 Accounting management

First, checking the account. Yonghui Supermarket is scheduled to check the account on the 9th and 20th of each month. Electronic checking of the account with the supplier will be performed on the monthly basis. The checked content includes the fees in the order, storage, return, and promotional service. And checking of the amount is performed through the system of supplier service, and the summarized table and the acceptance form are sent to Yonghui Finance Office to obtain the billing information (that is, checking the account).

Second, invoicing. The supplier shall issue a value-added tax invoice or a general invoice within 7 working days according to the transaction after checking the account, and the payment shall be determined according to the tax-included price agreed by both parties.

Third, payment. Yonghui Supermarket's fresh product can be kept fresh in 15 days after delivery, and the compensation loss is about 5%. Except for fresh products, the settlement of other types of products in Yonghui Supermarket is conducted in 30 days, which means that Yonghui Supermarket will pay after 30 days since it receives the invoice, but usually, Yonghui will put off the payment about 5 days, and the average time from delivery to checking the account is 10 days, invoicing and delivering time lasts 5 days, so the actual accounting period is about 55 days. Yonghui Supermarket pays to the supplier's designated account in cash^[4-5].

3 Suggestions for Developing a System for Internet Financial Credit

3.1 Improve the credit awareness of all members in society

We should guide all residents to attach importance to the credit, impart knowledge about Internet financial operations and investment, and increase their self-discipline. Internet finance should be a model of mutual assistance and win-win activity for residents. Many residents lack the most basic awareness of the credit. To a great extent, it will hinder the development of Internet finance. Therefore, before entering Internet finance, residents should receive training in preventing risks and increase self-discipline and encourage universities, associations and communities to actively conduct such courses.

3.2 Improve China's laws and supervision systems for Internet financial credit

Relevant departments should take responsibility to improve the laws and regulations related to the entire Internet financial system as soon as possible, regulate and restrict illegal acts. Internet financial platforms should pay attention to their business scope and the existing values to avoid credit deficiencies. At the same time, responsible departments should attach great importance to the supervision. They should clarify the related staff to supervise and formulate detailed and accurate rules to minimize risks in Internet finance.

References

- [1] Wang YP. Analysis on the Impact and Promotional Strategies of Internet Finance on Financial Efficiency of Commercial Banks[J]. *Industrial Innovation Research*, 2019 (9): 77-78.
- [2] Liu F. Analysis on Commercial Banks' Strategies for competition under the Background of Internet Finance [J]. *ShangXun*, 2019 (23): 28-29.
- [3] Zhang X. Analysis on the Impact of Internet Finance Development on China's Traditional Commercial Banks [J]. *New West China*, 2019 (11): 69-70.
- [4] Chai GX. Research on the Construction of China's Internet Financial Credit System [J]. *Financial Research*, 2017, (10): 72-74.
- [5] Cheng S. Research on the Construction of China's Internet Credit System: from the Perspective of the Credit Platform of People's Bank of China [J]. *Credit Report*, 2015, 28 (3): 9-12.