

Promoting the Fusion of Small-Sum Loan Companies and Cyber Finances

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Financing has always been a problem for small and micro business for a long time. Traditional banking business is quite demanding toward prospective borrowers and the approval process is quite complicated. As a result, it is hard for small and micro business to get the credit from the bank; the business scale of small-sum loan companies aimed at small and micro business are also limited due the narrow financing resources; P2P companies with advantages of Internet facilitate the financing of small and micro business but can not meet the long- term productive financing demands due to its short-term products and poor risk control. The fusion of small-sum loan company and cyber finances can make up the disadvantages of each other and achieve multi-win. We suggest that local government should speed up the building of enterprise credit information system platform, and set up credit record degree for every small-sum loan company and promote the fusion of small and micro business of quality with cyber finances platform. It can fulfill the advantage of each of them and effectively solve the difficulty and high cost of financing for small and micro business.

1. Problems Faced by Traditional Banks, Small-Sum Loan Companies and Cyber Finances

1.1 Weakness of traditional commercial banks was increasingly magnified - the difficulty in meeting the financing demands of small and micro business.

Commercial banks are essential parts of finances markets and the main channel of enterprise financing in a long term. With development of the entity economy, the finances service demand gradually varies from company to company. The disadvantages of traditional commercial banks are also gradually exposed.

The simple product of deposit and the cost hovers at a high level. The simple product of deposit and the category is homogeneous in every bank on the market. For many years, the products has experienced little change, the time, place and method of deposit and withdraw is highly restricted and it is not transferable, which can not meet diversified investment and trade demand of financing assets of clients Meanwhile, there is a tendency of “scale discrimination”, i.e., "the big one is preferred than the small one " and " ownership discrimination", i.e., "state-owned enterprises are

The author suggest the local government that should actively accelerate the process of building enterprise credit information system platform, and set up credit level for every small-sum loan company and actively promote the fusion of small-sum loan companies of quality and cyber finances platform in view of the financing problem of small- and micro-companies.

preferred". It aggravates the problem of financing difficulty and high costs.

The risk control is restricted and approval efficiency is low. As the bank plays the role of creditor in the loan, it would rather concentrate more on the current credit quality of the enterprise than the future development; besides, commercial bank has developed a set of rigid risk control system and internal approval procedure. Faced with the lack of pledge and formal bank statements, many small and micro business are not favored by the funds of bank. Even it is possible to get the credit from the bank, they have to experience a very complicated procedure.

All in all, financing service provided by the traditional commercial bank can not meet the need of small and micro business. We have to explore new mode and new way to solve the financing problem.

1.2 Business Scale of Small-Sum Loan Companies face bottleneck subject to limited capital resource

Small-sum loan companies can make up the drawbacks of traditional bank service. As a finance institution aimed at small and micro business loan, small- sum loan companies with standardized management and business make a significant contribution to the development of local entity economy. However, the capital source of small-sum loan companies is narrow and the business scale is limited. The major capital resource of small-sum loan companies is the capital paid by stockholders, donated money and money financed by no more than two banking and financial institutions and the financed balance can not be over a certain proportion. At the same time, small-sum loan companies can not absorb the public deposit as the bank, as a result, the low leverage and limited financing channel confines the business of small- sum loan companies.

1.3. Drawbacks of Cyber Finances-Inconsistency between Production Terms and Credit Terms

Cyber finances directly connect the financial products with capital providers, which effectively reduce the cost of information collection of both sides and break the time and space restrictions. It greatly relieves the development of small and micro business.

However, P2P financing platform supported by the advantages of Internet is still immature. The major business is short- term products and aims at the capital shortage in trading turnover. According to the data of a website, from April 1, 2015 to April 30, 2015, only 11 of 252 P2P platforms has average credit term that is over 1 year. The longest is 35.14 months. There are 206 platforms whose average of credit term is no more than 6 months.. This shows that the product of cyber finances is not targeted at

large capital need during production and construction.

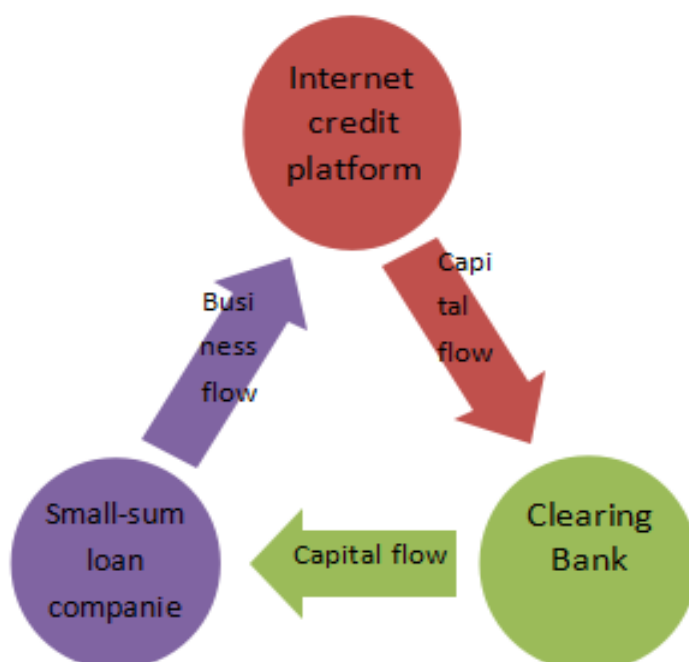
With current background of industrial upgrading and business transformation, it is an essential problem how to combine effective and convenient cyber platform with small-sum loan companies aimed at small- and micro- company loan, to make up the business vacancy of commercial banks and promote development of small and micro business.

2. Promoting fusion of small-sum loan companies and cyber finances is an effective way to solve the financing problem of small and micro business

As mentioned above, fusion of small-sum loan companies and cyber finances is a breakthrough of financing problem of small and micro business. We can combine the convenience and efficient of Internet and advantages of small-sum loan companies aimed at small and micro business. The combination can not only overcome the disconnection between the commercial bank and small and micro business, but also the blocked financing channel. We can also improve the inconsistency between product term of cyber financial product and financing term of enterprise production. It can finally achieve “win-win-win” effect. The most representative mode is Kaixin Credit whose mode is “Kaixin Credit Platform+ small-sum loan companies+ clearing bank.”

2.1 Introduction of Mode of “Internet Credit platform+ small-sum credit companies+ the clearing bank”

We summarize a mode of "Mode of Internet Credit platform+ small-sum loan companies+ the clearing bank, which is similar to the business mode of Kaixin Credit. This three parts form a stable triangle mode.



Small-sum loan companies recommend borrowers to Kaixin Credit to take the responsibility of security and run the management after the credit. Internet credit platform provides the financing resource for small-sum loan companies. The capital was trusted and transferred by the clearing bank.

The cyber credit company has no contact with borrowers when money is granted. All is done by small-sum loan companies. Small-sum companies extend all over the whole province, and they do the research before the credit, follow the tracks after the credit and provide the security service.

2.2. Experience of Fusion of Cyber Finances and small-sum loan companies.

The reason why the mode of "Cyber credit platform+ small-sum loan companies+ the clearing bank" can be successfully conducted comes from two parts. On the one hand, it is the innovative combination of traditional finances mode and Internet application. On the other hand, it can not do without the policy support from the related government departments. Through the research of Kaixin Credit Internet credit platform, we know that Frances Office of Jiangsu Province gives its support to the operation of Kaixin Credit platform. In April 2013, Financial Affairs Office of Jiangsu Province released Measures on Business of Small-sum Loan Companies of Kaixin Credit of Jiangsu Province. It gives a detailed regulation of how enterprises in Jiangsu Province conduct the business of Kaixin Credit and its institutional access, risk control and system of supervision and punishment. It put forward the system of reserves against deposit of Kaixin Credit and set the comprehensive financing cost ceiling of the platform. The experience of fusion of Internet Finances and Small-sum loan companies can be concluded as follow:

Advantages combination: It breaks the limit of independent operation of small-sum loan companies and Internet Finances and make full use of both advantages and make a organic integration. Cyber platform is responsible for the effective spread of information and capital collection while professional small-sum loan companies are responsible for project selection and risk control. It can make up the drawback of short credit term of the former and the limited capital sources of the latter.

Qualification recognition: Internet credit platforms only cooperate with small-sum loan companies with excellent credit records. For example, Kaixin Credit only cooperates with small-sum loan companies with above A-level in Jiangsu Province. Actually, all the 70 participating institutions and companies are 2A-level and above.

Data support: In order to get the credit record of small-sum loan

companies, the business data of small-sum loan companies are necessarily needed. Financial Affairs Office of Jiangsu Province established the Jinnong Company in 2012 and has invested 50 million RMB successively. It provided all the small-sum loan companies in Jiangsu Province with uniformed information administration, trade network, vocational training and enterprise management and other services. It knows well all the dynamic operation data of small-sum loan companies and all this data will be provided to Kaixin Credit to be evaluated as enterprise access.

Procedure construction: Only the security has been examined and verified by the small-sum loan companies can the loan project been put in the platform to start the money raising. Borrowers have to go through the following steps to start financing in Kaixin Credit: If they apply online credit on Kaixin Credit platform, the platform will suggest him to choose the local small-sum loan companies with the business qualification and start the security application. After that, borrowers have to pass the verification procedure and small-sum loan companies confirm its security. Since then, this loan project will be seen on the website and move to the collection period.

The system of reserves requirement: Apart from full principal and interest security, Kaixin Credit ask all cooperating companies to subscribe reserves against deposit in proportion to the leverage. The present scale of reserves is about 30 million yuan. This method is similar to the reserves system of commercial banks, which can buffer the risk.

System construction: Jiangsu Province conducts dynamic evaluation on small-sum loan companies and grant them different business scope in accordance with the evaluation results. Those small-sum loan companies with under B-level are prohibited to any financing and can only conduct traditional money lending with their own capital.

3. Policy Advice on Promoting Fusion of Small-sum Loan Companies and Cyber Financing Platform

To solve the financing problem of small- and micro- company and to promote development of small and micro business is also the major economic task of the government. However, if we only have easy monetary policy and proactive fiscal policy from the top-down level, but no unimpeded channel, we can not achieve real efforts. It is of great significance to discuss the effective ways to promote the fusion of small-sum loan companies and Internet financing platform to alleviate problems of difficulty of financing and high cost and to make finances serve for the real economy. We put forward several suggestions as following:

The local government should actively promote the construction

of enterprise credit information system platform. This work is the foundation of promotion of fusion of small-sum loan companies and Internet financing platform. Due to the little share and communication of credit information of small-sum loan companies and small- and micro-company between regulation departments, it is difficult to evaluate the real qualification of small-sum loan companies and conduct uniform management. In order to improve the enthusiasm of information sharing, sharing of credit records can be implemented between government departments to facilitate to information sharing. At the same time, external data purchase or out- service data collection can also be used, which make third party companies to conduct professional data collection.

Platform should be unified by means of integrated management. As a developed finances area, there is no lack of small-sum loan company in Shanghai. However, there is no official platform managed and instituted by the related governmental departments. To use the experience of Jiangsu Province as reference, we can first build a uniform cyber platform, which covers policy training, administration procedure, business training and many other items, which can enhance the uniform management.

Qualification verification is of great importance with strict control of access of cooperating partners. One of the features if Kaixin Credit model is that it gathers all powerful small-sum loan companies and related governmental departments grant the business qualification of Kaixin Credit. This method greatly enhance the risk control and excellent project resource, which further guarantee the normal and sustained management of Internet platform.

After all this work has been finished, we have to continue conduct procedure and build systems in risk control buffer measure, credit approval procedure and evaluation system, etc.

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