Research on the Internet Financing of APEC and The Financing Problems of MSMEs

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Abstract

As the booster of economic growth in the Asia-Pacific region, micro, small and medium-sized enterprises (MSMEs) in the APEC region employ more than half of the labor force in the market, and play a positive role in promoting economic growth. However, for most of MSMEs in the Asia-Pacific region, the difficulties encountered in financing from credit institutions cannot be ignored. Difficult financing and expensive financing has become one of the most concerned issues of global MSMEs and government departments. The emergence of Internet finance has effectively impacted the Pareto‘s principle, gradually meeting the financing needs of MSMEs, achieving a long tail effect and promoting effective resource allocation. From the perspective of Internet financial services for MSMEs, this article explains the financing obstacles for MSMEs in the APEC area and the feasible ways to use Internet finance to solve financing problems.

Internet Finance and MSMEs

By broadening the financing channels, Internet finance has injected a new path into the financing of small and medium-sized enterprises.Due to the high threshold of equity financing and bond financing, the "difficult financing and expensive financing" of MSMEs has become the problem of difficult and expensive loans. The MSMEs with limited financing channels are more inclined to bank loans and family financing, and the financing mode is single.The development of Internet finance has diversified the financing channels of small, medium and micro enterprises, resulting in multiple methods such as P2P online lending, Internet banking, and crowdfunding financing, which greatly enrich the financing paths of small, medium and micro enterprises.

Internet Finance provides a data base for the financing of MSMEs by effectively alleviating information asymmetry.The implementation of Internet big data makes Internet credit investigation move forward from structured and traditional data to unstructured and non-traditional data. It not only refers to the "hard" data of borrowers' credit qualification in the past, but also collects and analyzes the "soft" data of social data, transaction data and personalized data, eliminating the information asymmetry of small and medium-sized enterprises in advance and strengthening the information asymmetry after the event Risk control.Internet big data promotes profound changes in Internet credit investigation, provides information soil for small, medium and micro enterprises to obtain credit support, and lays a foundation for the development of P2P lending, Internet lending, and Internet banking.In crowdfunding, the transparency of project information reduces the asymmetry of information. Investors make choices according to their own risk preference and income expectation to prevent blind investment and reduce unnecessary losses.

Internet finance promotes competition and reduces borrowing costs for MSMEs.Internet banking, Internet credit investigation, P2P lending, Internet payment and other emerging financial methods communicate through the Internet. The collection and processing of Internet data are all done online, reducing the cost of communication, collection and processing of information.Internet banks are no longer restricted by the laying of physical outlets, but also reduces the cost of channels. This allows Internet banks to compete for loans with traditional banks at lower lending rates, reducing the borrowing costs of small and micro enterprises, and partly solving the problem of financing small and micro enterprises.

Internet finance will reduce the financing gap between the sexes and improve the financing level of MSMEs led by women. Women own one-third of small and medium-sized enterprises in the APEC region, and compared with men, they face financing discrimination. Traditional credit has limited information available for consideration, and gender factors may interfere with the results of lending. However, Internet credit investigation based on the background of big data will comprehensively consider the qualifications of loan applicants, blur gender differences, and improve female-led small, medium and micro enterprises Level of financing.

Internet finance promotes the informal small and medium-sized enterprises to be normalized and helps to regulate the healthy development of small and medium-sized enterprises. Some potential small and medium-sized and micro enterprises know their own financing difficulties, or the potential small and medium-sized and micro enterprises are located in remote areas with closed information, and are unwilling or unable to contact traditional financing institutions, resulting in a large number of potential small and medium-sized enterprises to evade supervision and tax, and are in a gray area. However, with the development of Internet finance, financial instruments have become more popular through daily interactive software, and their financing applications are convenient and fast. The monitoring of big data in the banking system can identify the changes of cash flow in bank accounts, so that potential small and medium-sized enterprises can constantly "de virtual to real" and accept supervision. Accurate number of small and medium-sized enterprises is the basis and basis for the government to formulate relevant policies, which can improve the effectiveness of policies and promote the healthy and stable development of MSMEs.

Financing situation of small and medium-sized enterprises in China

In China, small and medium-sized enterprises account for the majority, and more than 98.64% of them are small enterprises with no more than 300 employees. In 2017, new business creation reached an all-time high, with an average of 16600 new companies created every day, an increase of 9.9 per cent over 2016. In 2016, the loan stock of SMEs increased to RMB 40517.3 billion, an increase of 14.8% over 2015. However, the loan share of SMEs declined slightly to 64.7% compared with 2014-16, because the loans of large companies increased during this period. In 2017, the proportion of short-term loans to total loans of SMEs dropped to 40.97%, down 13.74%. The loan ratio of collateral-backed SMEs dropped to 52.05%, down 3.62%.

In 2017, although the benchmark lending rate remained unchanged, the real interest rates on bank loans for small and medium-sized enterprises and large companies rose to 5.78% and 5.4% respectively, up 1.01% and 0.51% respectively over the previous year. The interest rate gap between small and medium-sized enterprises and large enterprises widened from-0.12% in 2016 to 0.38% in 2017. In addition, the average additional loan fees charged by SMEs account for about 1.31% of total bank loans. In 2017, the one-year interest rate in the shadow banking sector was between 13% and 17%, which is about 9% different from that of normal bank loans.

In 2017, 73.9% of small and medium-sized enterprises applied for bank loans. The rejection rate of loan applications for small and medium-sized enterprises was 4.1%, down 2.06 percentage points from 2016. On average, only 53.1% of the applications were approved. The utilization rate of bank loans for small and medium-sized enterprises is 89.9%, and that for large companies is 95.7%.

In 2017, payment delays in B2B and B2C departments dropped to 44 days and 11.5 days, respectively. The proportion of non-performing loans of small and medium-sized enterprises to the total loans of small and medium-sized enterprises is 2.6%, which is 0.53 percentage points higher than that of all enterprises. According to the survey, the bankruptcy rate of small and medium-sized enterprises was 3.7% in 2017, down 21.78% from last year.

During the period 2009-17, the Chinese government carried out large-scale policy adjustments and reforms aimed at reducing the barriers for small and medium-sized enterprises to access diversified financing channels. The Chinese government has made a lot of efforts to improve the business environment by relaxing regulation, providing high-quality and efficient public services, strengthening the official supervision of illegal market behavior, and reducing the tax burden on small and medium-sized enterprises.

Conclusions and policy recommendations

After the financial crisis of 2008-2009, the development of small and medium-sized enterprises deteriorated, and the bankruptcy rate and debt default rate continued to rise.Under the background of the active assistance of governments and the vigorous development of Internet finance, the problem of "difficult and expensive financing" of small and medium-sized enterprises has been alleviated to a certain extent, but financing difficulties are still the main factor restricting the development of small and medium-sized enterprises. About 40% of small and medium-sized enterprises in developing countries are subject to varying degrees of financing constraints (65 million). Microenterprises subject to financing constraints account for 40 per cent (56.2 million) of the total, and small and medium-sized enterprises account for about 44 per cent (9 million) of the total.The government is more inclined to increase the money supply and reduce the loan interest rate to solve the financing problem of small and medium-sized enterprises. Due to the interference of information asymmetry, rent-seeking and other factors, the government has not really solved the financing problem of small and medium-sized enterprises. At the same time, Internet finance has entered the fast lane of development. Internet credit reporting has eased the information asymmetry, promoted the in-depth development of many financial services such as P2P network lending, crowdfunding financing, Internet banking, etc., broadened financing channels, made Internet finance a booster of Inclusive Finance, made resource allocation more efficient and realized the "long tail effect".

However, the development of Internet finance has also exposed some problems, which need to be actively addressed by government departments of various countries:

1. **Standardize the development of Internet finance and improve the supervision and legislation of Internet finance.**

Compared with the traditional financial industry, the supervision and legislation of Internet finance is not perfect. It is necessary to gradually establish a supporting legal supervision system, and formulate corresponding threshold standards from access to operation, so as to effectively protect the interests of investors and safeguard the legitimate rights and interests of small and medium-sized enterprises. Establish a multi-channel supervision mechanism to prevent major systemic risks caused by Internet finance, and promote its stable, healthy and sustainable development by coordinating supervision with multiple departments.

2. **Keep policy leeway, give room for growth to new Internet financial instruments, and avoid making a one-size-fits-all approach.**

Under the general trend of Internet finance, some Internet financial instruments are in the initial stage, and the regulatory authorities should maintain strategic determination for the emerging Internet financial instruments, neither flooding economy with liquidity nor hindering their development across the board. We need to clarify the boundary between the market and the government, and establish a negative list system, so that "the law can be used without prohibition". Some emerging industries should be given policy inclinations to promote their long-term development, and should not be strictly prohibited due to short-term conflicts with traditional industries, thus missing the precious opportunity of industrial upgrading and upgrading.

We need to clarify the boundary between the market and the government, and establish a negative list system for market access, so that "all is permissible unless prohibited". Some emerging industries should be given policy inclinations to promote their long-term development, and should not be strictly prohibited due to short-term conflicts with traditional industries, thus missing the precious opportunity of industrial upgrading and upgrading. Some emerging industries should be given policy inclinations to promote their long-term development, and should not be strictly prohibited due to short-term conflicts with traditional industries, thus missing the precious opportunity of industrial upgrading and upgrading.

3. **Standardize credit information content, establish information sharing mechanism and build social credit information system.**

Different Internet financial entities have different credit information systems, which collect different credit information according to their platform advantages, resulting in one-sidedness and repeatability of credit information and increasing the cost of credit information.In the information era of the Internet of Everything, it is necessary to establish an information sharing mechanism to prevent the moral hazard of borrowers, reduce the information asymmetry between borrowers and lenders, reduce the default rate and ensure the legal benefits of investors.The imperfection of social credit system has become a bottleneck restricting Internet finance. A nationwide credit information system should be established with the central bank as the main body and various financial institutions as a supplement to realize the joint and sharing of data.

4. **Improve and perfect the punishment mechanism for dishonesty, and enhance the risk control ability of Internet financial enterprises.**

It is necessary to improve and perfect disciplinal mechanism of faith-breaking,strengthen the education for breach of trust so that MSMEs do not dare to break their promises maliciously.For those with serious malicious dishonesty, it is necessary to limit their consumption level in all directions, guide and establish a correct view of borrowing and lending, and prevent speculation and encroachment on public resources.It is necessary to strengthen the risk prevention ability, risk control ability and risk resolution ability of Internet financial enterprises, strictly prevent the recurrence of P2P thunder incidents, establish and improve the social security system for Internet finance, and effectively protect the legitimate rights and interests of investors.