

**THE INFLUENCE OF FINTECH ON THE FINANCING OF SMALL
AND MEDIUM-SIZED ENTERPRISES AND ITS
COUNTERMEASURES**

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ABSTRACT

This paper analyzes the reasons for the financing constraints of small and medium-sized enterprises from a theoretical perspective, and points out that financial technology is an important way of alternative financing for small and medium-sized enterprises. This paper combs the mechanism of financial technology to alleviate the financing constraints of small and medium-sized enterprises, and puts forward the development countermeasures of financial technology from the perspective of solving the financing constraints of small and medium-sized enterprises.

Keywords: Small and medium-sized enterprises; Fintech; Financing constraints

1.0 INTRODUCTION

Small and medium-sized enterprises are an indispensable force in the national economy. According to the statistics data from the National Bureau, small and medium-sized enterprises provide more than 80% of new jobs. Its contribution to GDP exceeds 60% and contribution to fixed assets investment reached 61.46%. Its new patent applications accounted for 70%. Since the reform and opening-up policy, China's small and medium-sized enterprises have maintained rapid development. But due to long-term financing difficulties, the development quality and sustainability of small and medium-sized enterprises are not optimistic.

In recent years, with the development of big data, cloud computing, artificial intelligence, blockchain and other technologies, the integration between finance and technology has been promoted. Fintech came into being, which has a strong impact on the traditional financial model. Can the development of Fintech alleviate the financing difficulties of small and medium-sized enterprises? How to alleviate? This is the main content of this paper.

2.0 LITERATURE REVIEW

Inessa et al. (2003) found that with the development of Fintech, the degree of information asymmetry will gradually weaken, the efficiency of resource allocation will gradually improve, and the function of the capital market will be continuously optimized, so as to

alleviate the financing constraints of small and medium-sized enterprises. Beck (2008) pointed out that compared with large enterprises, small and medium-sized enterprises are facing more serious financing constraints, but when the national financial development capacity is improved, the financing difficulties of these small and medium-sized enterprises will be positively improved. Skinner (2016) believes that fintech can provide a new way to alleviate the financing constraints of small and medium-sized enterprises. Tang Jianxin et al. (2009) research showed that compared with large enterprises, in the development process of private small and medium-sized enterprises, financial technological progress can significantly improve the problem of financing difficulties. Xu zewei (2019) believed that the development of financial technology has enhanced the information exchange between traditional banks and small and medium-sized enterprises, and small and medium-sized enterprises can obtain appropriate financial services at a lower cost and improve their business conditions. Based on the cash flow sensitivity model, Liu Jingyi et al. (2019) found that the degree of information asymmetry and the size of financing constraints promote each other. Therefore, financial technology can be used to properly solve the problem of financing constraints of small and medium-sized enterprises.

At present, China is in the wave of Fintech development. Fintech has realized business expansion and improved service capacity with technological innovation, which will have an important impact on the future development of small and medium-sized enterprises. Based on the literature study, this paper focuses on the mechanism of Fintech to alleviate the financing problems of small and medium-sized enterprises, and then puts forward the countermeasures for the development of financial technology.

3.0 THEORETICAL ANALYSIS OF FINANCING CONSTRAINTS OF SMALL AND MEDIUM-SIZED ENTERPRISES

According to the financing priority theory, endogenous financing should be considered as the first financing method because there are no relevant costs and creditor's restrictions. However, small and medium-sized enterprises cannot obtain enough endogenous capital because of their small scale. At this time, external financing has become one of the main sources of enterprise funds.

External financing mainly includes bank loans, equity financing and debt financing. Due to the late development of China's capital market, equity financing and debt financing cannot become the main way of financing for small and medium-sized enterprises. Most enterprises still rely on bank loans. However, due to the need for risk prevention and control, banks often favour state-owned enterprises and large enterprises with strong strength and stable cash flow, and there are many restrictions on small and medium-sized enterprises. This is because small and medium-sized enterprises usually have the low anti-risk ability, and most of them have the problem of insufficient information disclosure. In order to avoid the losses caused to banks by adverse selection and moral hazard, the rational choice is to reduce the loan amount and improve the loan threshold. This forces small and medium-sized enterprises to turn to informal financial institutions or informal financial markets for financing, which is called alternative financing. It includes informal lending, commercial credit, interbank borrowing and so on. Alternative financing provides a new scheme for the financing of small and medium-sized enterprises. On the one hand, it urges small and medium-sized enterprises not

to stick to solving the problem of information asymmetry between enterprises and banks; On the other hand, it puts forward the idea that small and medium-sized enterprises get financing from bank loans. Alternative financing includes more financing methods and has more flexible institutional arrangements. With this advantage, at the financing level, as an emerging form of alternative financing, fintech can alleviate the financing difficulties of small and medium-sized enterprises to a certain extent, and provide a new way to solve the financing problems.

4.0 MITIGATION MECHANISM OF FINANCING CONSTRAINTS OF FINTECH ON SMALL AND MEDIUM-SIZED ENTERPRISES

4.1 Reducing the Degree of Information Asymmetry

At present, China's credit platform is based on the credit investigation system of the central bank, and a unified credit investigation system for small and medium-sized enterprises has not been established in China. Small and medium-sized enterprises rarely disclose information, and banks cannot directly obtain real data about the operation of small and medium-sized enterprises from the internet, so it is difficult to evaluate the credit situation of small and medium-sized enterprises. At the same time, the imperfect financial system of small and medium-sized enterprises leads to the phenomenon of false financial information is also very common. In the process of credit approval, banks will give up issuing loans because they are unable to form a correct assessment of the real operation and financial situation of small and medium-sized enterprises.

With the help of Fintech, it can effectively reduce the problem of information asymmetry. Big data, cloud computing and other technologies can break through the data barriers between different financial institutions and different departments, and realize the system integration of information of small and medium-sized enterprises. Automatically obtain credit records through the information platform, evaluate customer credit lines, achieve efficient communication, and make information more open and transparent. It can also widely connect external information such as industry and Commerce and taxation, break through the limitations of time and space, accurately evaluate the credit of small and medium-sized enterprises, increase the credit of small and medium-sized enterprises through data sharing, and effectively alleviate the financing constraints brought by information asymmetry to small and medium-sized enterprises.

4.2 Reduce Financing Costs

From the perspective of financial institutions, the information opacity and low credit level of small and medium-sized enterprises increase the information identification cost of credit personnel. In order to prevent risks in the financing process, financial institutions need to strictly review the operation status, financial status and business process of small and medium-sized enterprises, and the time cost and transaction cost are higher than those of large enterprises. From the perspective of enterprises, due to their small scale, weak foundation and weak strength, it is difficult for small and medium-sized enterprises to enjoy the same treatment as large enterprises in financing, and they often have to pay more floating interest rates, which increases their financing costs. For example, at the end of June 2019, the benchmark interest rate of a one-year loan is 4.35%, while the loan interest rate of small and

medium-sized enterprises is as high as 6.82%. At the same time, when financial institutions provide loans to small and medium-sized enterprises, they usually require small and medium-sized enterprises to provide certain collateral, which requires small and medium-sized enterprises to pay an additional guarantee fee and mortgage asset evaluation fee, which further increases the financing burden of small and medium-sized enterprises. It is not difficult to see from the above analysis that the financing cost of small and medium-sized enterprises is high, which is a major restrictive factor for their financing difficulties.

Fintech provides an effective tool to reduce the financing cost of small and medium-sized enterprises. With the application of big data, cloud computing and blockchain technology in financial business, we can intelligently tap the financing needs of small and medium-sized enterprises, optimize the financing process and reduce transaction costs. Through the application of biological digital technology (such as face recognition and fingerprint recognition) in granting loans, personnel costs can be greatly reduced. The comprehensive platform for risk monitoring, identification and disposal established by big data can accurately evaluate the credit degree of small and medium-sized enterprises. Small and medium-sized enterprises with good credit do not need to raise interest rates or provide collateral, and the financing cost can be effectively alleviated. At the same time, fintech is a systematic financing platform, which can help small and medium-sized enterprises and financial institutions continue to carry out business transactions, reduce transaction costs and realize economies of scale, so as to effectively alleviate the constraints on financing costs of small and medium-sized enterprises.

4.3 Resolving Financing Risks

Due to the limited scale and poor anti risk ability, small and medium-sized enterprises often have business risks due to the rupture of the capital chain and the inability to repay debts when due. It may also bring adverse impact on the operation due to the adjustment of national macroeconomic policies (such as tax rate, interest rate and exchange rate adjustment), resulting in policy risks. It is also possible to use information asymmetry to cause investment risk to investors by providing false information. No matter what kind of risk occurs, it will bring losses to financial institutions. Therefore, the high financing risk of small and medium-sized enterprises is another obstacle restricting their financing.

Small and medium-sized enterprises have high financing risks. If they want to correctly and effectively manage the risk, they must strictly formulate the credit rating. With the guarantee of a strict credit rating, we can better carry out systematic and comprehensive support. The role of big data is not only to survey small and medium-sized enterprises but also to better screen high-quality enterprises for financing based on data, so as to ensure that enterprises with high risk will not mix in and reduce the probability of risk. At the same time, the introduction of artificial intelligence is also very important. The combination with big data can form an effective connection between a large amount of internal and external data, so as to ensure effective monitoring before, during and after the loan. The role of block chain technology cannot be underestimated. Asymmetric encryption technology and consensus mechanism better protect the privacy of investors and make transactions more authentic. In addition, the use of smart contracts has realized programmed and automated transactions in

the platform avoided operational risks brought by manpower, not only improved the efficiency of compliance supervision but also realized better intelligent risk control.

5.0 COUNTERMEASURES OF FINTECH DEVELOPMENT TO ALLEVIATE THE FINANCING CONSTRAINTS OF SMALL AND MEDIUM-SIZED ENTERPRISES

5.1 Increase Government Support

The development of Fintech has eased the financing constraints of small and medium-sized enterprises, which should be strongly supported by the government. First, support Fintech enterprises to carry out research and development of underlying key technologies, guide financial institutions, technology enterprises and universities to establish collaborative innovation platforms, and jointly promote the implementation and function improvement of Fintech application scenarios for the financing of small and medium-sized enterprises. Second, we will promote the construction of major financial science and technology infrastructure, build the application and upgrading of new technologies in infrastructures such as credit information and data trading around key links such as payment and clearing, registration and trusteeship, credit rating, asset trading and data management, and reduce the transaction cost of financing for small and medium-sized enterprises. Third, support the construction of smart banks and smart outlets to more efficiently and conveniently meet the various financing needs of small and medium-sized enterprises. Fourth, promote the application of regulatory technology, support Fintech enterprises to build a digital regulatory system based on big data and cloud computing, build an intelligent risk monitoring system, and strengthen the application of Fintech in risk prevention and disposal of small and medium-sized enterprises.

5.2 Strengthen the Cooperation between Fintech and Traditional Commercial Banks

In order to meet the user experience and improve the service quality, the Fintech system should be optimized and upgraded. First, establish a Fintech system to ensure that Fintech advances steadily in serving the real economy, and constantly innovate financial products and services, with the goal of promoting better economic development. Second, learn from the "Silicon Valley Bank" model and pay more attention to high-risk enterprises. In the new system, focus on small and medium-sized enterprises, build a guarantee and credit enhancement-mode combining online and offline, and launch targeted financing strategies according to the operating conditions of each enterprise to reduce financing costs. Third, build a "financial science and technology ecosystem", organically combine talents, capital and policies, and produce the effect of $1 + 1 > 2$. At the same time, we should guard against Fintech risks. Under the background of financial science and technology, seek an innovation model with low cost and high coverage to contribute to the development of enterprises.

5.3 Promote Financial Technology Innovation

First, promoting the innovation of artificial intelligence technology. In the field of financial science and technology, continuously improve the application scope of artificial intelligence, give full play to its advantages in identification, transaction quantification, information management and other aspects, ensure that it can be applied to all links of the whole financial business, truly realize accurate services for small and medium-sized enterprises, and further

improve the efficiency and quality of services. Second, promoting the innovation of big data technology. Big data can be effectively applied to enterprise information management, risk control and other aspects, calculate and draw the operation and management framework of small and medium-sized enterprises with big data, improve services targeted, and ensure the accuracy and efficiency of services. Third, promoting the innovation of the innovative application of the internet and internet of things computing. Promote the full integration of internet and internet of things technologies and the financial industry, ensure the construction of a complete and efficient financial service system, ensure more efficient and convenient services for small and medium-sized enterprises, and improve financing efficiency. Fourth, promoting the innovation of the innovative application of cloud computing and blockchain technology. In terms of service and product innovation of financial institutions, actively use technical means such as cloud computing to manage and control transactions and risks in the whole financial field through blockchain technology, reduce information asymmetry of small and medium-sized enterprises, increase the application of blockchain technology in financial supervision and risk control, inclusive finance, process traceability and other fields, and promote the development of transaction fairness. Fifth, promoting the innovation of safety technology. Information and investment security are extremely important in the financial field. In order to ensure the security and stability of services and transactions, we should actively develop a relevant password, biometric and other technologies, ensure the full application of biometric technologies such as face recognition and voice recognition in the financial industry, monitor the risks existing in the business process of small and medium-sized enterprises, and better classify enterprises to facilitate efficient and fast management.

6.0 CONCLUSION

The vigorous development of Fintech has brought more opportunities to small and medium-sized enterprises, especially can effectively alleviate the financing constraints that have puzzled them for many years. The application of big data, cloud computing and blockchain technology in financial business can not only improve the information disclosure quality of small and medium-sized enterprises but also effectively reduce the financing costs of banks and enterprises and control the financing risks effectively. With the further development of Fintech, the vitality and innovation ability of small and medium-sized enterprises will be further released, and their future will be better.

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