

Research on the Financial Risk of Internet Financial Financing

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Abstract: The Internet finance of our country has been developed rapidly, and the number of enterprises raising funds through the Internet has gradually increased in the Internet era. With the rapid development of Internet financial financing, Internet financial financing has also gathered a lot of financial risks. This paper first analyzes the current situation of Internet financial financing, then analyzes the identification and performance of Internet financial financing financial risk, thirdly analyzes the causes of Internet financial financing financial risk, and finally tries to explore the countermeasures of Internet financial financing financial risk prevention and control.

1. Introduction

In the Internet era, under the promotion of Internet technology, the allocation efficiency of financial assets has been greatly improved, which has increased the development of network platform property operation industry chain. However, due to the inadequate development of management level and mode, in the process of interest exchange, this has also increased the financial risk of Internet financial financing to a great extent. It is necessary for effective financial measures to accurately predict the financial risks of Internet financial financing, so as to improve the awareness of financial risk prevention of Internet financial enterprises and to control them in a timely and effective manner when the problems occur.

2. The current situation of the Internet financial financing

Internet financial financing, also known as mass financing, Internet financial crowdfunding, project sponsors to a certain extent through the Internet platform to publicly publish Internet financial financing projects and raise funds from the public. The main purpose is to raise funds for a project, an individual or a company to finance their proper production and management and creative and innovative activities. The original Internet financial financing is mainly used for artistic creation, but now the Internet financial financing includes technology, education, and finance, social and other fields. Internet financial financing includes four basic types, namely, donating Internet financial financing, returning Internet financial financing, creditor's rights Internet financial financing and equity Internet financial financing.

3. Identification and performance of financial risk in Internet financial financing

The financial risk of Internet financial financing is mainly reflected in operating risk, market risk and bad debt risk, etc.

3.1 Business risk

From the appearance of financial risk, when the financial situation of Internet financial financing enterprises appears abnormal, such as the decline of solvency, such as asset-liability ratio, current ratio and other financial indicators are lower than the market average. If the sales profit decreases or even loses, it reflects the deterioration of the financial situation and the aggravation of the financial risk. When the Internet financial financing enterprises appear cash flow shortage and asset liquidity becomes worse, if the enterprise cannot repay the maturing debt in full, or if the cash outflow of the enterprise continues to exceed the inflow for a period of time, it may lead to the potential financial

risk to become a practical problem.

3.2 Market risk

From the view of the production, sales and operation links of Internet finance financing enterprises, when the sales volume of Internet financial financing enterprises is reduced or the newly developed products are disconnected from the market demand, the inventory backlog will inevitably reduce the main business income of the Internet financial financing enterprises, reduce the sales profit and increase the financial risk of the enterprise; When the scale of the Internet financial financing enterprise expands too fast, the financial structure cannot match the business expansion in time, and the fund chain is relatively tight, and the financing limit is increasing constantly, resulting in the short-term solvency of the Internet finance financing enterprises deteriorates, and the corresponding financial risks are gradually exposed.

3.3 Bad debt risk

Because the mode of operation of many Internet financial financing enterprises in P2P network lending platform is very similar to that of banks, it is more inclined to large order mode, so its risk is higher. Once the risk of bad debts occurs on a large scale, the enterprises of Internet financial financing are likely to cause the expected withdrawal or withdrawal difficulties due to the lack of sufficient reserves, which will lead to the large-scale withdrawal of capital providers, which will lead to the breaking of the capital chain of Internet financial financing enterprises and eventually the collapse of the enterprise capital chain.

4. The causes of financial risks of Internet Financial financing

With the development of Internet technology, consumers' trust in traditional financial institutions continues to decline, more Internet financial enterprises come into being, can provide consumers with easier operation and lower service costs, Internet financial enterprises have become an attractive industry, but because of the relatively short development time, Internet finance companies have not formed a sound financial risk prevention and control mechanism. The capital structure is unreasonable, the investment mode is single, the fund management strategy is unreasonable, the lack of risk prevention consciousness, it is difficult to find the financial risk in time and effectively.

4.1 Unreasonable capital structure

At present, many emerging Internet enterprises are small in scale, insufficient in funds, low in rate of return, unreasonable in capital structure, and insolvent, which makes enterprises face greater financial risks. Financing mode and financing decision play an important role in the strategic development of Internet financial financing enterprises. If there is a large number of short-term loans, Internet enterprises will face huge short-term debt service pressure, to a certain extent, increase financial costs and reduce the profitability of enterprises.

4.2 Single mode of investment

The funds raised by Internet enterprises are mostly used for investment in intangible assets, such as technology research and development. The movement channel of Internet financial financing enterprises is relatively single, so that Internet enterprises cannot effectively spread the risk. Reasonable choice of Internet financial financing enterprises investment mode, effective control and comparative analysis, improve the Internet financial financing enterprises investment decision-making system to avoid the occurrence of investment risk.

4.3 Unreasonable fund management strategy

In the era of Internet economic development, the traditional financial management mechanism mainly focuses on the internal financial management of enterprises, which can easily lead to data analysis cannot meet the needs, and has a negative effect on financial decision-making. The lack of reasonable capital recovery strategy is the main reason for the risk of fund recovery in Internet

enterprises. Too loose borrowing strategy can expand the market share and increase sales to a certain extent, but the chain effect caused by this strategy will undoubtedly bring huge losses to the Internet financial financing enterprise and bring great hindrance to the fund recovery of Internet financial financing enterprises.

4.4 Lack of awareness of risk prevention

The risk of income distribution mainly includes the risk of over distribution of income and the risk of excessive retention of surplus. The management of Internet financial financing enterprises has a weak awareness of the risk of income distribution, which is not included in the enterprise development planning, there is a phenomenon that the rights and responsibilities are unknown and the management effect is low. With the rapid development of Internet economy, Internet financial financing enterprises are facing complex environment and great challenges. Neglecting the prevention of risk will lead to low efficiency of the use of funds, the security and integrity of funds cannot be guaranteed, which will lead to the risk of income distribution.

5. Financial risks prevention and control countermeasures of the Internet financial financing

In view of the financial risks existing in the financing of Internet enterprises, effective risk prevention and control countermeasures must be taken, including vigorously expanding the financing channels, establishing the financial risk identification and prevention mechanism, and formulating effective fund recovery strategies.

5.1 Vigorously expand the channels of financing

Compared with traditional enterprises, the fixed assets and inventory of Internet enterprises are less than those of traditional enterprises. The main assets are intangible assets such as technology, patents and so on, but their value is uncertain, so it is difficult to obtain the recognition of financial institutions. Internet enterprise financing should choose the best capital structure according to its own specific situation, fully consider the repayment period, repayment mode and other risk factors, and choose the appropriate financing scheme. In order to meet the needs of funds, Internet enterprises should be vigilant, reasonably control liabilities, formulate scientific financing plans to raise funds, weigh risks and benefits. Internet enterprises should vigorously explore new financing methods, which can selectively introduce institutional investors or public offerings to alleviate the risk of excessive principal and interest repayment.

5.2 To establish risk identification and prevention mechanism

Internet enterprises should be vigilant, do a good job in the prevention of financial risks, do a good job of risk and identification and prevention for investment projects, formulate investment duration and risk prevention strategies, and measure the proportion of investment return to investment risk. According to the specific situation of the enterprise, the Internet enterprise should fully investigate its own solvency, make rational use of the funds raised by the company, ensure the maximization of capital value and realize the maximization of profit and income. In addition, according to their own actual situation and the economic environment at that time, we should reasonably predict the borrowing amount, arrange the borrowing plan in advance, avoid the problem of shortage of funds caused by excessive debt, and reduce the loss caused by risk.

5.3 To develop a capital recovery strategy

In recent years, controlling and preventing the risk of accounts receivable has become the mainstream, especially in the Internet industry, although the increase of the amount of accounts receivable will not only increase the sales of Internet products, but also reduce the inventory of enterprises. However, it is necessary to fully measure whether the increase of profits caused by increased accounts receivable exceeds the marginal cost of investment, and it is necessary to ensure that accounts receivable are kept within a reasonable range and reduce the loss of bad debts caused by accounts receivable. Internet enterprises should formulate effective capital recovery strategy and

credit rating system, properly implement credit marketing policy, and reasonably avoid the risk of capital recovery.

5.4 To improve the ability of risk prevention

Internet enterprises should increase the ability to identify financial risks, improve the awareness of risk prevention, and then improve the management ability of enterprises. Of course, the enterprise operator should strengthen the risk consciousness, when the enterprise is faced with the financing risk, as the operator should be able to react quickly, negotiate with the manager, and actively take corresponding measures to overcome the financing risk, so that the company can avoid losses, and can develop quickly and steadily. Of course, it is necessary to have a certain awareness of risk and strengthen the control of risk. If the two can be carried out synchronously, it will achieve twice the result with half the effort.

6. Conclusion

In a word, with the rapid development of Internet finance, especially P2P network lending companies, there are also great financial risks, which not only have a very serious negative impact on the society, but also make the financial regulatory system face severe challenges. Therefore, Internet financing enterprises need to strengthen the identification of financial risks and take effective diversification measures to reduce the financial risks of Internet financial financing.

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