

## Research on the Development Model and Existing Problems of Supply Chain Finance of Commercial Banks in China

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**Abstract:** As a new type of financial service, supply chain finance has developed rapidly in recent years, and has become an important area of competition and profit-seeking among major banks. In China, commercial banks have relatively insufficient understanding of supply chain finance, and the level of related business development is lagging behind. Starting from the concept of supply chain finance of commercial banks, this paper reviews the history of the development of supply chain finance of commercial banks and the current situation of relevant business of major commercial banks in China. On this basis, it analyses the common problems existing in the development of supply chain finance of commercial banks, and further studies and analyses how to improve our business. The level of supply chain finance business of industrial banks is expected to promote the healthy and sustainable development of supply chain finance business of commercial banks in China.

### 1. Introduction

In recent years, the vast majority of commercial banks in China have launched the supply-chain finance business one after another, creating different supply chain financial brands in order to cope with the competition in the financial market, expand customer groups, control credit risks and optimize commercial bank business profit model.

Wang Guogang and Zeng Gang (2015) regard China's supply chain finance as the credit business of commercial banks based on the whole industrial chain, grasp the characteristics of the industry and the chain relationship, and make financing decisions to provide the necessary funds for relevant enterprises [1]. Songhua (2017) believed that supply chain finance is different from bank loan or venture capital business. It runs through the whole process of supply chain operation and is a comprehensive financial service for supply chain affiliated enterprises based on business flow information in operation [2]. From the point of view of commercial banks, this paper holds that supply chain finance can be defined as: according to the actual trade situation in the operation of a product supply chain, commercial banks take the future cash inflows that can be determined in enterprise transactions as the basis for repayment, examine the credit of enterprises, and provide single or limited financing business for different financial products.

In the field of supply chain finance, foreign research mainly focuses on financial supply chain management. Hartley (1998) put forward the design idea of prepaid financing and the idea of establishing supply chain financing system [3]. Under this mode, the information of database can be realized as financial institutions, suppliers and zero. Sharing among vendors. By looking at the order information, financial institutions can provide financing to retailers so that they can complete their purchasing ahead of time. When the financing matures, retailers can settle directly with banks with their own payment income. Berger (2004) constructed a complete framework for SMEs' financing activities, and explained the concept of "government behavior - Financial Institutions - Loan technology means" to deal with SMEs' financing problems. Supply chain financing is a very important loan technology [4]. Domestic research mainly involves two aspects: logistics financing and financial logistics. Ren Wenchao (1998) first expressed the concept of material bank, and added the content of chattel pledge in bank guarantee financing business [5]; Chen Boming (2010) proposed "financing warehouse", and preliminarily studied a series of theories related to logistics finance. The results show that as a third-party logistics service platform,

"financing warehouse" not only connects banks and SMEs, but also provides an effective way to solve the financing problems of SMEs [6].

The development of supply chain finance mode in China is relatively late. Especially in the field of supply chain finance of commercial banks, there are few related studies in domestic academia. To some extent, theoretical research lags behind the actual demand. Based on this, the author combs and summarizes the history of supply chain finance development of commercial banks in China, the related business development of major commercial banks and the problems encountered in the process of carrying out relevant business. On this basis, the author puts forward targeted countermeasures and suggestions. In order to provide some intellectual reference for the better development of supply chain finance in China's commercial banks in the next stage.

## **2. Development and Current Situation of Supply Chain Finance in Commercial Banks**

China's supply chain financing model has gone through four periods. The first financing model developed is trade-finance model. In other words, international trade financing under the traditional financing model is generally recognized. Later, under the influence of WTO, it gradually got rid of the independent existence of international trade. Letter of credit is also an aspect of trade financing. Domestic supply chain finance is mainly settled by letter of credit. Commercial banks play an important role as intermediaries between the two sides. The second stage is self-reimbursement trade financing, which means that enterprises use the recovered loans directly to repay bank loans, so as to reduce the risks that enterprises bear. Under this structure, commercial banks will examine the qualifications of enterprises and refer to the credit level of enterprises, and control the flow of funds through the opening bank of enterprises. In the third stage, the "1 + N" financing mode has been formed. The core enterprises, which are dominant in the whole supply chain, have become the main body of providing financing services and provide the required funds for the "1 + N" enterprises. The last stage is the Internet plus supply chain finance model based on the development of the Internet, which is mainly based on online credit services, which brings great convenience to enterprises, saves time and facilitates operation, so that enterprises can concentrate their efforts on developing their main businesses. At the same time, the collateral warehouse provided by the online supply chain also helps the same enterprise realize the transformation of different financing products by changing different collateral.

Shenzhen Development Bank (now Ping An Bank) is the first practice of supply chain finance in China, which has a high influence. The commercial bank first started its business in South China and replaced the discount method by buying bills. Then it introduced a new type of credit financing business pledged by chattel or cargo rights. In addition, the concept of "1+N" originated from the commercial bank. With the development of supply chain finance, other commercial banks in our country have launched various financial products with different characteristics, such as Guangfa Bank, Societe Generale Bank and Minsheng Bank, which have launched their own financial products, namely "Logistics Bank", "Jinsesame" business and "Characteristic Trade Finance" service. As a result, many domestic banks are gradually developing new supply chain financial products, expanding market share and striving for greater market value. Some banks' financial products are as follows: ICBC's main supply chain financial products include domestic factoring and order financing. The main related businesses of Bank of China are Easy access, easy access, easy access, etc. Agricultural Bank's related business is mainly in the field of supply chain financing and trade. Bank of Communications is mainly involved in supply chain.

## **3. Problems in Supply Chain Finance Model of Commercial Banks**

### **3.1 Potential Risks that are Difficult to Grasp**

There are four main reasons: the first is the complex operation mode. There are many participants in the whole supply chain, each pursuing its own maximization of interests, and the strength of each participant to bear risks is not the same, which makes the environment facing

business in the supply chain more complex and the risk further expanded. Compared with traditional financing business, supply chain finance is an integrated business based on information flow, business flow, capital flow, logistics and so on. It changes the risk of a single financing entity and makes it difficult for banks to cope with and prevent risks. Secondly, systemic risk is unavoidable. Industrial supply chain is an integral whole, with core enterprises as the main part, providing financial assistance to other small and medium-sized enterprises, but if there is a problem in the supply chain, the whole supply chain will be in trouble. Moreover, the existing credit system in China is still not perfect, which also increases the systemic risk. The third is the unstable customer risk of SMEs. For enterprises in the whole supply chain, SMEs are driven by core enterprises to improve credit rating, but in fact, SMEs still have business risks. Unlike the traditional financing business, the bank does not evaluate the financial statements and transaction status of an enterprise, but evaluates the ability and credit level of the core enterprise in the supply chain, which may ignore the institutional, financial and credit problems of small and medium-sized enterprises.

### **3.2 Lack of Diversified Financial Products**

The rapid development of supply chain provides an opportunity for banks to improve their economic efficiency. Each bank is competing to launch supply chain financial products, but there is a high degree of homogeneity in these financial products. It seems that different banks' financial products have the same product design, target customers and market positioning. The lack of innovation and diversified financial products in the market.

### **3.3 Lagging Technological Development**

The development of Internet promotes the process of supply chain electronization, which is conducive to saving costs and expanding economic benefits. At the same time, it also raises the demand for financial information and e-commerce technology. At present, China's technology development is slow, which can not meet the requirements of the development of supply chain finance. Moreover, because banks have not used advanced Internet technology to develop supply chain finance, the rapid development of supply chain finance in China has been further inhibited.

### **3.4 Lack of Strong System Support**

The development of supply chain finance has put forward high requirements for the electronic management system. Only with a strong supply chain management system can we meet the needs of monitoring the logistics and information flow of the whole supply chain and establish close ties with customers to form a good docking. However, the existing systems of some financial products of our banks are internal management systems, and there is no way to establish a good connection with customers, nor to achieve the monitoring and management of the whole process.

## **4. Problems in Supply Chain Finance Model of Commercial Banks**

Above all, this paper analyses the common problems in supply chain finance of commercial banks in China. Only by taking effective measures to optimize and improve the problems existing in the relevant business of supply chain finance, can commercial banks better meet the actual needs of the financial market in the new era. Specific measures are as follows:

### **4.1 Multi-Pronged Approach to Prevent Business Risks**

We will improve access mechanisms, set different access standards for different enterprises in the supply chain, unify information flow, capital flow and logistics, create new forms of guarantee and mortgage, and speed up the construction of a sound risk prevention system. In addition, it is also an important measure to purify the business environment, which can be optimized by improving the credit environment and improving the legal system. It also needs the active action of the government, the effective allocation of resources, the active construction of supply chain financial service platform and financing information service platform.

## **4.2 Focus on Personnel Training**

The development of supply chain finance needs professional supply chain talents as support. The content of supply chain finance is extensive. Professionals who are familiar with finance, trade, management law and other knowledge are needed. Therefore, it is necessary for relevant government departments to increase personnel training, provide intellectual support for the development of supply chain finance, and guide the existing staff; besides, it is also an effective way to introduce a number of high-quality talents from abroad, under the guidance of these supply chain finance professionals, which is conducive to the current staff profession. The service level has been improved.

## **4.3 Strengthen Promotion and Innovation**

In the fierce competitive environment, commercial banks should base themselves on their own special features, strengthen publicity, make specific and individualized measures on the basis of in-depth analysis of the supply chain business of different industries, formulate publicity plans, promote accurately, combine traditional and emerging media to enhance the visibility of financial products, and at the same time, enhance the visibility of financial products. We should also attach importance to innovation, develop characteristic financial products in the supply chain, form competitive advantages, and eventually form high-level financial services.

## **4.4 Accelerate the Construction of Online Supply Chain Financial Service Platform**

As a new model, the development of online supply chain finance is conducive to the financing of SMEs, and implements the concept of interaction, cooperation and visibility in the construction of service platform, realizes the close relationship among the main bodies in the supply chain, unifies the flow of information, logistics and capital, and constructs a systematic network service system. The first is to be able to use the Internet platform to process the entire business process from business applications to fund issuance. The second is to establish good links between internal and external systems. Thirdly, we should make effective use of the platform's big data. Making good use of platform data is conducive to new product development and can provide corresponding services for enterprises based on business information, so as to meet the needs of enterprises. Providing supply chain financial services for enterprises is an important factor in consolidating and developing customer relations and promoting the market development of small and medium-sized enterprises. At the same time, establishing an effective and systematic supply chain financial service system also provides an important guarantee for banks to carry out financial services. However, the specific operation of establishing and improving the management system still needs practice. Keep seeking.

## **4.5 Develop Online Information-Based Supply Chain Finance**

Accelerate the development of electronic information-based supply chain finance, promote the upgrading and optimization of supply chain financial model, and eventually form a sustainable and wide-ranging large-scale supply chain financial service model. The virtual extended supply chain is developed through the internet, and the internal and external network operating system is constructed. The service resources related to the supply chain are integrated by using the Internet information technology to expand business and combining the marketing promotion mode under the e-commerce mode. At the same time, radio frequency identification technology, GPS positioning and electronic data exchange technology are adopted. The technology realizes data connection and communication, builds supply chain information service platform, transfers enterprise management information and capital operation status, realizes real-time monitoring of information flow, capital flow and logistics status of relevant enterprises in the supply chain by commercial banks, reduces the frequency of financial risk occurrence in the supply chain of commercial banks, and increases economic efficiency Benefit.

## 5. Conclusion

With the advent of Internet Finance accompanied by big data, the age of Omni channel has officially come, and consumer behavior has changed in essence. In this context, in order to consolidate and enhance their competitive advantages, commercial banks should integrate their existing channel resources to better meet the demands of the target customer groups; on the other hand, they should innovate their business model for their business system, operation process, supply chain system, etc. Only in this way can we realize the integration of traditional channels and emerging channels, and provide consumers with deep consumption experience in the process of adjusting their business activities and optimizing their supply chain.

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