

Financial Problems and Corresponding Solutions to the Model of "Shared Economy"——Take Shared Bicycle as an Example

Ruoyu Xu^{1,a}

¹School of Economics, Hubei Business College, Wuhan, Hubei Province, China

^a18641529@qq.com

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Abstract: With the development of the global economy and the maturity of mobile internet technology, the concept of "shared economy" is gradually gaining popularity. At the same time, the commercial market has undergone tremendous changes, giving birth to a series of products under the mode of shared economy. The most typical of which is shared bicycle, it has greatly changed the way people travel, making lives more convenient and also boost the economy. However, a variety of problems come with it, including a series of financial problems about investment, financing, operation and accounting confirmation. Therefore, through consulting a lot of relevant literature, this article starts from the analysis of the current situation of bicycle market under the mode of shared economy, taking the sharing bicycle as an example to identify the financial problems as well as their causes, and then puts forward a series of suggestions so as to ensure that the shared economy develops healthily and prosperously.

1. Introduction

In recent years, the development of the shared economy changes with each passing day. The concept of "collaborative consumption" was first jointly proposed by Joan Spence, professor of sociology at the University of Illinois, and Marcos Felson, professor of sociology at Texas State University in 1978^[1]. In China, although, the initial development of "shared economy" is relatively later, the results are remarkable^[2]. According to the data from "China Shared Economic Development Report 2017"^[3], the scale of China's shared economy market in 2016 is about 3452 billion yuan and the number of people participating in the share economy is over 600 million, an increase of 103% and 100 million respectively compared with the previous year. What's more the financing scale of the share economy enterprises reaches 171 billion yuan, an increase of 130%^[4]. Such a huge base growth rate let us preliminarily predict that the share economy will continue to grow at a high speed of about 40% in the next few years. Following such a development trend, by 2020, the share of tax share economy in GDP will reach more than 10%, and by 2025, the share will rise to about 20%. This series of data demonstrates the rapid development of the share economy in China. Kathan, W (2016) ^[5] put forward three main characteristics of the shared economy model: first, the Internet is an important medium for its development; second, the idle resources are "used but not occupied"; third, the efficiency of resource utilization will be improved. Wang Zuofei (2018) ^[6] looked at the problem from the perspective of administrative law, especially regulation theory and also proposed three characteristics: strong platform, strong participants and weak negative externalities.

2. The Development Status of "Shared Economy" Model: Taking Shared Bicycle as an Example

2.1. Current Situation of Bicycle Market Scale

Shared bicycle has been favored by investors as soon as it appears. The development and innovation mode of shared bicycle enterprises has also attracted the attention and favor of world capital. Since June 2015, 170 cities around the world have launched about 8 million OFO shared bicycles one after another ^[7]. By the end of 2017, the number of OFO shared bicycles have exceeded 20 million, and

will be extended to 200 cities in the world, covering 20 countries and regions.

At the beginning, the only bicycles on the market were orange Moby bicycles. Once it appeared, it was favored and praised by investors. At the same time, the successful financing of Mobike has created a strong wind for the whole society. More capitalists see potential business opportunities and compete to squeeze into the market in order to make profits. As a result, we see shared bicycles popping up like mushrooms. For example, the subsequent rise of the OFO bicycle, in a short period of time, has developed into a leader in parallel with Mobike. For a while, there are as many as 30 bicycle brands on the market, such as panda bicycles, green Youbai bicycles and so on. The addition of these bicycles enlarges the scale of the bicycle market, brings abundant vitality, and intensifies the bicycle market competition. With the expansion of scale, bicycle enterprises began to seize the market quickly. Shared bicycle market share in mega-cities is increasing and expanding, such as Mobike and OFO bicycles. The development of other shared bicycles is also different. For example, the development strategy of "encircling the city in the countryside" adopted by Harrow bicycle, which has gradually gained its influence, has occupied the present small and medium-sized cities, the scale of development has increased dramatically and shocked Mobike and OFO. At the same time, there are XiaoBai bicycles, initially developed in the overseas market while entering into the domestic medium-sized cities such as Changsha, Wuhan, etc. At present, the competition in the shared bicycle market is fierce, the number of competing enterprises in the same industry is huge, and their products and services are similar, lacking innovation advantages. The tension and capacity of the market are gradually shrinking. The bicycle market has become saturated due to large-scale expansion, and the problem of overproduction has emerged.

2.2. Current Situation of Bicycle Market Conduct

2.2.1. Cycling Delivery Plan

In order to seize more market share, almost all bicycle-sharing enterprises are putting new bicycles into the market one after another, as increasing in number and free riding time has become the main approach to seizing market share. Since June 2015, OFO has launched about 8 million shared bicycles in 170 cities around the world. By the end of 2017, the number will have exceeded 20 million bicycles and extended to 200 cities in the world, covering 20 countries and regions. But the demand is far less than the quantity put in, the supply exceeds the demand, which increases the cost of investment, makes the bicycle market saturated and chaotic, and also causes the waste of resources.

2.2.2. Market Financing

In the initial stage of the development of the shared bicycle market, in order to compete for users and retain users, bicycle enterprises have implemented some preferential strategies, such as "free ride" for a certain period of time. "Rent cycling card monthly" and so on. And the implementation of such policies, the number of users is indeed guaranteed, but it is clear that no profit can be achieved in this way. Therefore, some bicycle enterprises began to change their policies and constantly seek out social financing to expand the share of the bicycle market. The development and innovation mode of sharing bicycle enterprises has also attracted the attention and favor of world capital. In June 2017, Mobike raised more than \$600 million in E-round financing, while OFO shared bicycles successfully raised 700 million dollars in E-round financing. Of course, except for Mobike and OFO, most of the other bicycles are in round A financing. But among them, Harrow bicycle seized the opportunity, it marched into the shared bicycle market as a rising star, slowly penetrating the market, finally becoming a "black horse" after OFO and Mobike.

2.2.3. Self-made Bicycle Model

From the point of view of economic development, the entry barriers of shared bicycle market is relatively low, and the technology, capital and labor investment needed to manufacture a bicycle are less. In order to save costs, many enterprises choose to adopt self-made bicycles and put them in the market. Among them, the design of the "yellow car" adopts the combination of ordinary bicycle and button-type mechanical lock. But the effect is contrary to expectations. Because as the speed of

bicycle renewal in the later period increases, the cost is also rising. Meanwhile^[8], the self-made bicycle model enlarges its cost, including production, operation, maintenance and improvement costs. In this way, the increases in production cost and maintenance cost lengthens the profit cycle, and it is difficult to achieve investment return in a short period of time^[9].

3. Financial Problems in the "Shared Economy" Model

3.1. On the Strategic Level of Enterprises

China Shared Economic Development Report 2018^[10] predicts that the share economy will continue to grow at a high speed of about 40% in the next few years. By 2020, China's share of shared economy in GDP under tax regulation will reach more than 10%, and by 2025, the share will climb to about 20%.

The rapid growth of the market enables enterprises to launch investment and financing activities in the form of price wars. Among them, Mobike and OFO are the two most typical leaders. In June 2017, the new round of financing of Mobike amounted to more than 600 million US dollars, while that of OFO is 750 million US dollars, which has set a new record.

Nowadays, due to improper investment behavior and excessive market saturation, the bicycle market leads to excessive bicycle production capacity. After the closing of the price war, Mobike was acquired by the United States Mission, and OFO no longer received financing in 2018. By December 2018, the number of people demanding deposit refunds of the ofo had reached more than 9.5 million, approaching 10 million, the company was in danger.

3.2. Shared Cycling Accounting Confirmation

3.2.1 The Definition and Applicable Criteria of Shared Bicycle Industry are not Clear

Shared bicycle is essentially a form of leasing business. However, it also has the characteristics of B2C e-commerce model and network retail model, which belongs to leasing services provided through the Internet, that is where it is different from the traditional leasing industry. In order to make the sharing bicycle industry develop healthily and orderly, it is necessary to think about the definition and accounting standards of the shared bicycle industry.

3.2.2. Fuzzy Problems in Asset Classification and Confirmation

At present, the service life of shared bicycles will not reach one accounting year. According to the new accounting standards, the definition of fixed assets emphasizes that the service life of fixed assets should exceed one accounting year. It is unreasonable to define shared bicycles as fixed assets. Enterprises lend bicycles to users to ride so as to achieve the purpose of financing. This does not meet the definition of inventory, so it is ambiguous to confirm inventory, causing inaccurate accounting of financial problems of sharing bicycle enterprises.

3.2.3 Deposit processing

Shared bicycle companies stipulate that users must pay a certain amount of deposit to the account in APP before riding. Because it is an emerging industry, many users are suspicious of its reliability because the time of deposit is difficult to control. In the short run, most of the money raised should be stored in easy-to-withdraw accounts. But in the long run, according to Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, foreign investment deposits can be recognized as financial assets with maturity investment, sellable financial assets or measured in financial institutions.

4. Countermeasure Analysis of Financial Problems

4.1. Strategic Level of Enterprises

Strengthening strategic alliance and ditching price wars are the main ways to solve the current price war problem. We should establish an open, win-win sharing platform, shift the development center to business operations, change the current isolated situation, strengthen strategic cooperation among enterprises and reach consensus. To a certain extent, resource sharing will be realized and both sides will benefit.

4.2. Accounting Confirmation Level

In order to solve the financial problems in "shared bicycle" and avoid financial risks. All kinds of financial relations within enterprises must be clarified.

4.2.1. Establishing a Sound Fund Management System

For example, the "shared bicycle" enterprises should implement a comprehensive budget to ensure the effective flow of funds along with establishing a mechanism for the flow of funds to share the huge capital flow, every step of financial decision-making must undergo strict market research and comprehensive budget.

4.2.2. Enterprises should Improve the Informatization level of Capital Management

"Shared bicycle" enterprises should step up efforts to promote new means of fund management and operation mode, establish a unified internal computer platform, vigorously promote the integration of financial affairs and work, and achieve information integration and data sharing.

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