

# Several Studies on the Ways of Financing for Enterprises in the Internet Era

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**Abstract:** With the popularity of internet in hundreds of thousands of households, the level of information technology develops rapidly and it guides us into the era of internet. Under the background of the internet era, internet generates a series of financial derivatives at the same time of providing more convenient service to people. Way of financing in internet, with the method crowd funding of P2P as the representative, gradually emerges and it has received the widespread attention. To a certain extent, it breaks away with the traditional financing methods of direct financing and indirect financing done by commercial banks, which results in the new pattern of financing in capital market and greatly expands the financing routes for enterprises. But because of the characteristics of internet finance, its obvious changes in the market, it is difficult for many enterprises to obtain enough financial support under the background of internet. As for how to deal with the problem, it shall be given the top priority in solving all the problems. Thus, this paper mainly study on the way of financing for enterprises in the internet era and we'd put forward reasonable countermeasures by combining with the actual situation, so as to promote the development of Chinese capital market and provide much broader financing channels for certain enterprises.

## Introduction

With the rise of internet, network has gradually become an indispensable part in People's Daily life, work and study, and it has changed people's habit of life to a certain extent. The rapid rise of internet gradually generates a series of new industries and P2P is one of the most typical one among them, which mainly survive and develop on the basis of internet. As it can effectively alleviate the problems of narrow financing channel and difficulty in financing problem, as well as reducing the financing risk, it is widely welcomed by many enterprises. Especially in the traditional mode of financing, enterprises favor the direct financing through capital market and indirect financing with commercial bank as the media. As the threshold of financing in commercial bank is high, it is difficult for the enterprises to get enough capital from commercial banks. However, under the background of internet, the internet financing has created a new situation for the enterprise. It seems that strengthening the study on the ways of financing for enterprises in the internet era is very necessary and it also has the significance of reference for carrying out subsequent theoretical study and the practice of financing.

## The main causes for enterprise's difficulties in financing

Since China's reform and opening up, the rapid development of capital market has attracted numerous foreign enterprises to make investment in China and won the support from a lot of capital, which lays a solid foundation for China's economic development. But with the rapid development of economy, the trend of global integration is very significant and market competition is more intensified. As many domestic and foreign enterprises are developing rapidly and are standing on the same platform to compete with each other, many enterprises are unable to absorb enough capital to support their development and they would encounter bankruptcy, collapse and being knocked out in the fierce competition. It can be said that market competition is very cruel.

Many causes lead to enterprises' difficulties in financing. Firstly, it is caused by the enterprises themselves. Because of many enterprises' weak strength in business capacity and not transparent market information and the information gained by the commercial banks is different from the actual situation, it is difficult for the commercial banks to fully understand their management situation. In such case, if the commercial bank loans to enterprises while the information provided by them is not true, it is easy to cause the bank's capital loss to a certain extent and their enthusiasm in issuing loans would be dampened. Secondly, it is caused by commercial Banks. If commercial banks provide loan services to enterprises, it would lead to the increased cost of loans. As the adjustment of interest rate for loans issued by the bank would be affected by a variety of indicators, the bank is required to consume a lot of manpower, material resources and financial resources to investigate the enterprise's actual development level when providing loan services to enterprises if the information provided by the enterprise is different from the information investigated by the bank. To a certain extent, it increases the bank's management cost. In addition, as many financial institutions lack standards for credit evaluation of the enterprises, it is difficult to evaluate comprehensively and reasonably whether the credit evaluation of an enterprise is good or bad. For some small and medium-sized enterprises, most commercial banks do not tend to provide loan services, which have close relationship with the banks' lack of credit evaluation standard. Thirdly, it is caused by the factors of macro economic environment. The factors are mainly caused by the impact of economy system. As the development of capital market in China is still not perfect, it is difficult for many enterprises to obtain adequate capital through the way of direct financing in the capital markets. Moreover, as the credit threshold is high for commercial banks and it is not easy for the enterprises to provide guarantee items of sufficient value, which enables that it is difficult for many enterprises to obtain the support of commercial bank's loan. [2]

### **The advantage of an enterprise in financing through internet**

As for the development of the financing through internet, related scholars on financial research in our country believe that presently the small and medium-sized enterprises is faced with the problems of difficulties in financing, guarantee difficult and loans. Thus, it is more difficult for the originally weak enterprises to get enough support in capital, which would severely restrict the healthy and long-term development of small and medium-sized enterprises in our country. Many small and micro-sized enterprises have obvious flaws in internal management because of the incomplete information in internal financial statements. However, the emergence of internet financing greatly make up for the problem of difficulty in financing encountered by small and medium-sized enterprises. The finance via internet provides wholly new methods for small and medium-sized enterprises in financing and it subsequently brings unprecedented financial space for finance via internet, thus experiencing rapid development. Therefore, we'd analyze the advantages of financing via internet. [3].

With the rapid development of internet, it is obviously concerned and valued by many industries for its advantages in unique big data, computing power of cloud and cloud storage. In the level of technical advantage, finance via internet has the outstanding characteristics of pertinence and inclusiveness for it is convenient in operation and hard to be restricted by space and time in actual practice. Moreover, it can provide wider space for enterprises' financing, as trade partners and financing support are easily to be found under the help of powerful user base via internet. [4]. At the same time, the innovation and upgrading of products can be realized and customers' satisfaction of products can be known through finance on the internet, which helps the enterprise in improving and optimizing their products and provides customers with higher quality services.

Finance via internet is mainly developed by relying on the internet and it needs to consume a large amount of manpower, material and financial resources to build the financial platform via internet in the initial period. After launch of the platform, their characteristics of high accuracy, low cost and high pertinence were widely concerned in the period of information collection. Thus, it gradually walks into people's horizons and presents the good prospect in development.

The main purpose of finance via internet is providing customers with more reasonable and

sufficient services, which manifests the internet finance's characteristics of financial innovation to some degree. Through differentiated financing, it can further promote the integration of financial products, which helps the small and medium-sized enterprises in choosing more reasonable and appropriate financial products by taking their own actual situation into consideration. After years of practice and innovation, internet finance is gradually changed into the diversified financial patterns via internet, such as P2P, crowd funding and the third-party payment, etc. The continuous optimization and innovation of financial models via internet greatly relieves the enterprise's difficulty in financing and provides a more adequate financial support, which can promote the sustainable economic development of enterprises.

Under the background of China's financial reform, the government pays more attention to the finance via internet and promulgates a series of policies on financial support, so as to promote the development of the industry. The internet finance provides a new financing model for certain enterprise and is the main route for national financial innovation as well as the enterprise's long-term development, which helps the enterprises in realizing sustainable development and further promotes the innovation of internet finance.

### **The internet finance provides new financing models for enterprise**

Mode P2P mainly refers to person-to-person financial services and the financing pattern of P2P refers to the financing service provided to both parties with online platform as the base. It is required by P2P model that the capital service shall be contacted by the both parties directly, including interest rate and amount of loan, as well as conclusion and sign of the contract. In the process of the transaction, the P2P model directly omits the intermediary agents such as banks, non-bank financial institutions and so on, which results in more convenient activities of loans and transaction. As the threshold for financing is low, not too much cost is needed and the risk is relatively low for both the borrowers and lenders while the benefit is high. To a certain extent, it alleviates the enterprise's difficulty in financing and they can obtain more sufficient capital to support their business development.

In general, the financial model of P2P is the most typical representative of the internet finance. As for its essence, it is derived from the traditional finance and its main purpose is to provide more convenient financing service for the benefit of the enterprises' development, so as to alleviate the problems in financing, and expand the scale in production and the power of management.

Crowd funding is also known as capital raised by the public and it is a more common way of financing. It is mainly launched by the financiers and following investors are attracted with the help of the platform for crowd funding. They can release related information about the enterprises that'd need capital and the investors who are interested in it can have an all-around understanding of it before invest some money to support the enterprises. Upon the completion of such projects, both the principal and capital would be returned according to the money invested by the investor. It is a kind of common mode in financing that applies to the development of some projects with low risks.

Enterprises would release relevant information on the project through the platform for crowd funding, so as to check and display related information on the project, and finally conduct the process of financing and complete it. In the whole process, all the steps are supervised and managed by the platform for crowd funding, which is conducive to the implementation of various works and ensure the safety of both the borrowing and the lending parties' fundamental interests. By introducing to the public relevant contents and the situations of capital returns, the enterprises would help the public know well the situation of earnings on the project and provide capital support to more appropriate projects. Thus, through financial support from different investors, they would get adequate financial support by the way "many a little makes a mickle", which would meet the enterprise's demand in financing generally. As an open mode for financing, this mode has obvious advantages. Through a third party platform, the financing party would be connected with the followers. As a result, it would break up the situation of asymmetric information held by the both parties of the traditional financing and it would guarantee the interests and security of the investors. Through a third party platform for crowd funding, the followers can know related information of the

project more comprehensively and intuitively. Therefore, it is good for them in gathering information of different parties and expands the channels for financing.

With internet as the basis, the financial portal of internet mainly collects information about financial services. As the financing companies release the information of their own products on the internet platform, the investors can intuitively know the purpose, deadline and amount of the loans and find out the most appropriate financial products. As for this model, it is more convenient in operation for the small and medium-sized enterprises, and it is more effective for them to absorb enough capital, so as to alleviate the difficulty in financing.

### **Internet Finance Provides Enterprises With Thinking On Financing Service**

Due to its own characteristics, technological security directly affects the security of internet finance. Moreover, as a lot of information system has certain technical vulnerabilities, and they are vulnerable to malicious attacks and damage, it is easy to bring heavy security risks and economic losses to the financial industry. Therefore, strengthening the security of internet technology is very necessary and relevant enterprises are required to improve and perfect corresponding systems, create a good financial environment for the internet and provide more high quality service on financing to the enterprises.

Internet finance refers to the combination of the internet and financial institutions. And we'd strengthen the regulation on internet finance, be clear about the division of labor, and carry out the cooperation system, so as to ensure that the financial service via internet can be carried out orderly and relevant laws and regulations can be perfected. But the specific laws and regulations on internet have not yet been introduced at present and it remains to be further perfected.

Perfecting the credit system of internet finance mainly aims to improving the phenomenon of asymmetric information in financial services, so as to ensure the vital interests of the financing party and the investors and to evade problem on morality and interests. Therefore, we'd firstly determine credit standards, and promote the combination between the credit system of internet finance and national conditions. Moreover, we'd connect it directly to the credit loan system of commercial bank and achieve information sharing in a wider range.

### **Conclusion:**

To sum up, with the establishment of market economy in our country, increasingly fierce competition can be seen among enterprises. Many small and medium-sized enterprises end up going bankrupt and being closed because it was difficult for them to obtain sufficient fund. With the emergence of finance via internet, which offers more convenient financing services, the difficulty of financing is greatly eased.

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