

Analysis Of The Impact Of Fintech On The Financing Of Chinese Private Enterprises

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ABSTRACT

This study examines how FinTech is reshaping the financing landscape for Chinese private enterprises, addressing historical challenges and providing new opportunities. In the face of uncertainties in international and domestic trade, market stagnation, and rising labor costs, private enterprises encounter capital shortages and financing difficulties. The rapid development of FinTech introduces flexible, efficient, and cost-effective financing avenues, enabling enterprises to access funds, reduce costs, enhance capital efficiency, and gain flexibility. This research aims to elucidate the dynamic interplay between FinTech and private enterprise financing, shedding light on the transformative role of FinTech in traditional financing models and offering actionable recommendations for enterprise development.

KEYWORDS

Fin tech; Trade finance; Small and medium-sized enterprises (SMEs); Impacts.

1. INTRODUCTION

1.1. Research purpose

In the modern financial system, private enterprises are one of the indispensable factors that promote capital flow. With the uncertainty and instability of international and domestic trade, sluggish market demand, and rising labor costs, many enterprises are facing a series of problems such as capital shortage, scale reduction, and financing difficulties. With the rapid development of financial technology, traditional financing models are undergoing revolutionary changes. In China, small, medium and micro enterprises account for more than 90%, and it is crucial to grasp the loan financing market for small, medium and micro enterprises. For private enterprises, financing has always been an important challenge in their development. Financial technology provides more flexible, efficient, and low-cost financing channels for these enterprises. This article aims to gain a deeper understanding of the role of fintech in changing traditional financing models by studying the relationship between fintech and private enterprise financing, in order to better provide reference suggestions for enterprise development.

1.2. Literature review

The classic literature of Fazzari et al. pioneered the study of corporate financing constraints and sparked extensive discussions among researchers thereafter. The development of the private economy is crucial for China's gradual reform and economic growth. Zhang Jie pointed out that since the 1990s, the private economy has faced increasingly tight development constraints, which come from market

entry, governance structure, and property rights protection. And it is pointed out that when the development of the private economy enters a stage of pursuing technological progress and capital intensity, new financial arrangements are needed to support it[1]. Wang Ping established factor sets, weight sets, evaluation sets, and fuzzy membership functions to illustrate the high standardization of financing mechanisms, good macroeconomic environment, and high financing efficiency of private enterprises[2]. On the contrary, financing efficiency is lower. Guo Xicai pointed out that in the past few decades, China's small and medium-sized technology enterprises have experienced rapid growth, but they also face numerous problems, with financing issues being the most significant[3]. Xiao Wen believes that the fundamental reason for the difficulty in financing for small and medium-sized enterprises in China is the lack of innovation in the financial system [4].

The term 'fintech' was first proposed by Citigroup Chairman John Reed in the 1990s. The "Financial Technology Development Plan (2019-2021)" issued by the People's Bank of China also elevates financial technology to a strategic level for the first time. In March 2016, the Financial Stability Council, the leading institution of global financial governance, released the "Description and Analysis Framework Report on Financial Technology", which for the first time provided a preliminary definition of financial technology at the international organizational level. Financial technology refers to the business model that promotes financial innovation through technological means and forms a significant impact on financial markets, institutions, and financial services Technology applications and processes and products (FSB, 2016). To explore the relationship between fintech and corporate financing, Wang Xiangning and Liu Xiao analyzed the impact of panel data on Chinese small and medium-sized board enterprises from 2011 to 2018, examined the c and internal mechanisms of fintech's financing constraints on small and medium-sized enterprises, and demonstrated that fintech is more capable of alleviating the financing constraints faced by private enterprises by improving their information asymmetry[5]. Scholars such as Song Min used data from A-share listed companies from 2011 to 2018, using instrumental variables and systematic GMM methods, to study that the promoting effect of financial technology on improving total factor productivity of enterprises is more pronounced in small private enterprises, industries lacking competition, and regions with slow marketization processes[6]. Carlota Perez described the basic paradigm of technological innovation and financial capital[7]. Venture capitalists quickly invest in new technology fields to obtain high profits, resulting in a highly coupled relationship between financial capital and technological innovation, leading to the prosperity of technological innovation and the geometric growth of financial assets.

2. METHOD

2.1. Empowering Private Enterprise Growth: Financial Reforms for Sustainable Financing

At present, private enterprises still face difficulties in financing, which is one of the important reasons limiting their investment growth. In order to solve this problem, the following aspects can be considered to establish and improve the financial organization system that serves private enterprises. First, on the basis of strengthening credit support for small and medium-sized enterprises, the People's Bank of China should set up a special functional department to be responsible for state-owned commercial banks providing more comprehensive services to private enterprises and adjust the proportion of credit structure accordingly. Among the total new loans, a certain proportion is stipulated to be used to support private enterprises, and control over loan interest rates is gradually relaxed to achieve marketization of interest rates and stimulate the enthusiasm of state-owned commercial banks to increase loans to private enterprises. Secondly, accelerate the pace of opening up the financial market and establish policy financial institutions to support the development of the private economy. The service targets of these institutions are mainly private small and medium-sized enterprises, and they operate using market economy methods. At the same time, it is also necessary

to strengthen financial education and training for private enterprises to improve their financial literacy and risk prevention capabilities, so that they can better utilize financial market resources and promote the healthy development of enterprises.

2.2. Building a Market-Driven Credit Guarantee System for Private Enterprises

Establishing a credit guarantee and monitoring system for private enterprises is an urgent problem that needs to be solved. The State Economic and Trade Commission has proposed the basic idea of establishing a credit guarantee system for small and medium-sized enterprises in our country, that is, by establishing a small and medium-sized enterprise guarantee institution with independent legal personality, operating in accordance with market principles and not for profit. The funding sources of these guarantee institutions mainly include state financial appropriations, members' payment of risk reserves, and social fundraising. They also use credit assessment, counter-guarantee, compulsory re-guarantee and other means to control risks. The establishment of this credit guarantee system will actively promote the expansion of credit funds for private small and medium-sized enterprises.

In addition, we can also consider establishing an effective monitoring system to supervise and manage the credit behavior of private enterprises. This system can include credit ratings, credit reports, credit databases and other components to provide comprehensive and accurate credit information to help financial institutions make better credit decisions.

2.3. Elevating Credit Integrity: Market-Driven Strategies for Private Enterprise Financing Oversight and Growth

At the same time, using market forces to strengthen the financing supervision of private enterprises and continuously improve the credit level of private small and medium-sized enterprises is also an issue that requires great attention. Currently, Shanghai is studying and improving the credit system for small businesses, planning to establish unique identification codes for small businesses in the city, and build credit files for small businesses in terms of business credit, capital credit, quality credit, tax payment credit, and personal behavior credit. This will help improve market information transparency and reduce transaction costs, while also motivating companies to improve their credit levels. This approach is in line with the corporate credit system of market economy principles and deserves to be promoted nationwide. Through these measures, it is expected to strengthen credit support for private enterprises, enable them to obtain financing support more smoothly, and promote their development and growth.

2.4. Catalyzing Innovation: Urgent Steps in Establishing a Venture Capital Mechanism for High-Tech Enterprises in Secondary Entrepreneurship

It is urgent to establish a venture capital mechanism that is conducive to the development of private high-tech enterprises. After years of rapid development, my country's private enterprises have entered the stage of "secondary entrepreneurship". A number of high-tech private enterprises are in their infancy and growth stages and need corresponding entrepreneurial mechanisms to support them. The most critical of these is the establishment of risk management systems. investment mechanism.

Venture capital is a special commercial investment activity that invests funds in higher risks and higher technical content in order to seek high returns. It has a unique operating method from traditional investment activities. The source, organizational form, institutional arrangements of venture capital, the check and balance mechanism between venture capitalists and venture enterprises, and the exit mechanism of venture capital constitute the main content of venture capital operations.

The establishment of a venture capital mechanism requires a strong support system, the most important of which include a developed capital market, a sound financial regulatory system and a sound legal system. Therefore, in our country, the formation and improvement of the venture capital

mechanism requires a gradual process. The government should provide help in the construction of the external environment and support system. At the same time, the operation of funds should be dominated by private entities, and the government should avoid direct intervention. Through the construction of such a mechanism, it is expected to provide more development funds and support to private high-tech enterprises and promote their innovation and growth.

In general, through the above measures, the financing problems of private enterprises can be effectively solved and their investment growth can be promoted, thus making greater contributions to the sustainable development of China's economy.

3. CONCLUSION

In conclusion, this article discusses the role of financial technology (fintech) in changing traditional financing models for private enterprises. It emphasizes the challenges faced by private enterprises due to capital shortage, scale reduction, and financing difficulties, and highlights how fintech provides flexible, efficient, and low-cost financing channels and it also explores the constraints faced by the private economy in China and the need for new financial arrangements to support its development.

The article defines fintech as a business model that promotes financial innovation through technological means, with a significant impact on financial markets, institutions, and services. It presents various studies that demonstrate the positive influence of fintech on alleviating financing constraints faced by private enterprises and improving their information asymmetry. Additionally, it discusses the coupling between financial capital and technological innovation.

The methods proposed to address the financing difficulties of private enterprises include strengthening credit support, opening up the financial market, establishing policy financial institutions, implementing a credit guarantee and monitoring system, and strengthening financing supervision. The establishment of a venture capital mechanism specifically catering to the development of private high-tech enterprises is also emphasized. It outlines the key elements of venture capital operations and highlights the importance of a supportive external environment, including a developed capital market, financial regulatory system, and legal framework.

By implementing these measures, it is expected to enhance credit support, facilitate smoother financing for private enterprises, stimulate their development and growth, and provide increased funding and support to private high-tech enterprises, fostering innovation and advancement.

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