

RESEARCH OF INTERNET FINANCE SUPPORT FOR “MASS ENTREPRENEURSHIP AND INNOVATION”

Yuzhong Sun¹, Chuncheng Liu²

College of Economics and Management, China Agricultural University,
CHINA.

¹syzdqhit@163.com, ²liucc@263.net

ABSTRACT

The activities of "mass entrepreneurship and innovation" are important for maintaining a steady economic growth and promoting China's economic transformation. Now the activities present the characteristics of platform specialization, power marketization etc. But there are also more prominent issues such as weak infrastructure and lack of financial support. This paper states the advantages of internet finance, discusses the significance of the development of internet finance to promote the activities of "mass entrepreneurship and innovation" and analyzes the characteristics of current several major internet finance models as well as how to support the activities of "mass entrepreneurship and innovation".

Keywords: Mass Entrepreneurship and Innovation, Internet Finance, Financial Support, SMEs

INTRODUCTION

Domestically, the emergence of the "mass entrepreneurship and innovation" has a profound domestic and international background. First of all, the "mass entrepreneurship and innovation" is the objective requirement of the economy after entering the new normal for china. Traditional economic "troika" - investment, consumption and export have bigger problems. With the industrial structure adjustment and the change of the pattern of economic growth intertwined, economic downward pressure is increasing. Secondly, "mass entrepreneurship and innovation" is the only way to further promote the reform comprehensively. It is bound to deepen the reform of the economic system and market mechanism through enhancing economic endogenous power to keep healthy and sustainable growth of economy. To accomplish such a difficult task, we must rely on the majority of the people as the micro power to achieve. Finally, "mass entrepreneurship and innovation" is the inevitable result for social and economic development reaching a certain stage. After solved the people's food and clothing problems, the quality of life has been further requirements. The emergence of personalized and diversified demand will inevitably lead to the trend of innovation.

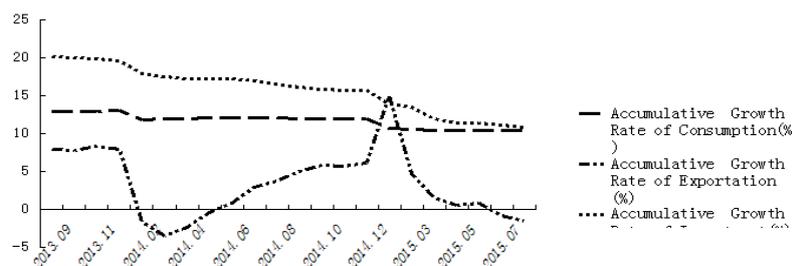


Fig. 1: Monthly data of investment, consumption and exportation

Internationally, on the one hand, the international economic situation is not optimistic and stable, the world economic development slows, the international market demand is weakening, and the international competitive pressure of the traditional product further starts increasing. Therefore, we must increase domestic demand to promote economic development, which has become the inevitable choice to stimulate demand in the domestic market through the "mass entrepreneurship and innovation". On the other hand, the international market makes greater demand on product quality, technological content and the use of performance, which increases the demand on technological innovation and product innovation. Therefore, it is also an inevitable requirement for us to create the new technology, new products and new services through "mass entrepreneurship and innovation" in order to stabilize and increase our products market share in the international market.

LITERATURE REVIEW

Most of the business is starting from small and medium enterprises. While Schumpeter believes that relative to the small business large enterprises have more leadership in the field of innovation because of the scale of economic and other aspects of the existence of the inherent advantages. But in the subsequent empirical test, the conclusion is mixed. In particular industries such as high-tech industries and other industries, SMEs in the innovation will be even stronger. The most serious problem of them is the financing. In the order of financing, the internal financing of SMEs is gradually reduced and external financing is increasing from the founding period until the maturity. Due to various reasons, the low reliability of SMEs is difficult to obtain credit support from banks.

Domestic enterprises and innovative SMEs are also facing difficulties in financing. The study points out that the cost and efficiency of different financial institutions to provide financial services for different enterprises are not the same. The large financial institutions are not suitable for SMEs, which inevitably result in the financing difficulties of SMEs in china. Small and medium financial institutions should become the main provider of financing for SMEs. Further research pointed out that the problem of information asymmetry in the process of financing of SMEs determines the way that the financing mode can be adopted, and the informal finance should be a good way to solve the financing difficulties of SMEs.

Summary of research at home and abroad can be found, the traditional financial structure have the inherent problems to solve the financing problem of SMEs. To solve this problem must walk the road of financial innovation. The rise of Internet banking provides a way to solve this problem. The number of the pages of the article must not exceed 20, including abstract and reference list. The whole work must be written in Times New Roman, font size 12. Subheading must be in bold, and the first letter of each word should be in capital letters.

STATUS AND PROBLEMS OF "MASS ENTREPRENEURSHIP AND INNOVATION"

The General Situation

SAIC's data show that China's new registered market players reached 12.93 million in 2014, of which the newly registered enterprises increased by 45.9%, an increase of 2013 over the same period of 35%. Also from the Ministry of science and technology data show that in 2014 the number of Technology Business Incubator is more than 1600 and the scientific and technological enterprises in TBI is more than 1600, which provides 1.75 million jobs. There are 115 national high-tech zones and 500 thousand the park registered enterprises, only Zhongguancun newly adds 13 thousand technology enterprises. In 2014 there are more than 1000 VCs, which is capital of more than 350 billion yuan. The number of commercialization

of scientific and technological achievements is 300 thousand through the transfer of technology market and the annual turnover totaled 857.7 billion yuan. Since 2014, the whole society has set off a wave of entrepreneurship and innovation.

Characteristics

Platform of Entrepreneurship and Innovation Specialization

Since the reform and opening up, the central government and local governments have strongly encouraged the market players to innovate and venture. But this encouragement is more of a policy driven from the top down, which shows a temporary response strategy appeared as a sector policy or industry planning, plus some of the supplementary financial, tax and other preferential policies. And the main body of the implementation of these policies is some of the functions of the government departments. From the effect point of view, although the policy played a certain role in promoting entrepreneurship and innovation activities, but limited to the lack of relevant professional knowledge and human resources from the functional departments of the government, the effect is not good.

With the continuous strengthening of market operation mechanism of economic, the modern system of market economy is gradually improved, including securities investment companies, capital management agencies, law firms, accounting firms and various kinds of venture capital, the professional intermediaries which provide capital support, intellectual support and information support began to become an important driving force for innovation and entrepreneurship activities.

Power of Entrepreneurship and Innovation Marketization

Although the "mass entrepreneurship and innovation" comes from the call of the government, in a deeper sense, the main driving force comes from on the market. Entrepreneurship and innovation activities can be regarded as a spontaneous self-revolution of the market economy. At present, the market is lack of a loose market environment and the platform to effectively integrate the resources of all aspects instead of funds, talent and effective demand. The central government wants to remove the system shackles on the potential market for entrepreneurship and innovation to simplify administrative procedures.

Main Body of Entrepreneurship and Innovation Popularization

compared with the large number of wage earners, engaged in activities of entrepreneurship and innovation, people are always belongs to the minority. there are two reasons: on one hand, china's state-owned enterprises occupy the economy dominant position. on the other hand the traditional ideas of playing safe, avoiding risk still have an important influence on the laborer employment. since entering the new century, the rise of the internet has made the whole society flat. so the space and the psychological distance between the elite and the grassroots, the upper and the lower rapidly shrink. the generation after 80s and 90s who accept the domestic and foreign higher education without too much psychological burden rapidly grow, which provides a strong backup force for entrepreneurship and innovation for the entire community.

Problems

Poor Infrastructure

Perfect infrastructure can increase the possibility of success of entrepreneurship and innovation. A lot of entrepreneurial bases, innovation bases and incubators are set up in many areas in china. But the infrastructure is not just the construction of tall buildings, but also the transport facilities, electricity, telecommunications, sewage treatment and information

infrastructure construction and even cinema, library and other entertainment facilities, etc. These auxiliary infrastructure needs to be improved.

Lack of Financial Support

The early form of many entrepreneurship and innovation teams is small or micro enterprises, and even a studio. The primary problem of them is the shortage of funds. Relative to direct financing method such as equity financing and debt financing, Chinese enterprises more depend on bank loans and other indirect financing. At the end of 2014, China's non-financial enterprises in the domestic stock financing balance accounted for the proportion of the scale of social financing is only 3.1%. From the view of the development of equity investment, China's equity investment lags behind the needs of economic development. According to incomplete statistics, U.S. private equity investment funds in the proportion of the total GDP is 1%, while the proportion of China is only 0.3%; The number of U.S. angel investors is about 75.6 thousand, while only a few thousand angel investors exist in China.

Lack of Talents

In China, the number of subjects related with innovation and entrepreneurship is too little in higher education and the relevant teaching materials and teachers are relatively scarce. The school education is guided by the entrance exam, which has trained lots of applied talents who are used to behaving instead of innovating. Not only they do not have the ability to venture and innovate but do not have the courage to do it.

Needs to Improve Incentive System

It can make researchers to get more options and other legitimate rights and interests to improve the property rights system of scientific and technological achievements, the system of income distribution and transformation mechanism. We should encourage scientific and technological personnel to venture and innovate with both professional honors and necessary material incentives.

DISCUSSION

Advantages of Internet finance

Inclusive

In addition to the regular customers, internet finance can meet the special group's financial needs and greatly improve customer coverage through breaking time and space constraints. Which saves time and cost for consumers.

Convenient

The network of financial services simplifies the financial service process, shorten the processing time and decrease the cost. So the customer can obtain the satisfactory financial service more conveniently by using internet finance.

Targeted

Based on customer segmentation, internet finance provide customers with customized deployment of financing products and innovate finance product for different needs of different customers so that customers have the right to choose their own financing needs and financing products

Significance of Internet Finance Supporting "Mass Entrepreneurship and Innovation"

The entry thresholds of traditional financial markets represented by commercial banks are higher. The clients they serviced are always large-scale enterprise. The enterprises involved

with entrepreneurship and innovation are always SMEs. The characters of their financing project are Shorter time, more urgent, more frequent, faster. Using big data platform and risk diversification technology, Internet finance can rapidly provide stronger finance support for entrepreneurial and innovative enterprises.

Accelerate the Construction of Credit System

Lack of credit is the main reason for the SMEs difficult to obtain the support from the traditional finance. Internet finance has a unique advantage in the construction of the credit system of the SMEs. The large amounts of data accumulated about every business of SMEs operating in electric business platform can be transferred to the enterprise credit assessment data after a process under a certain standard and procedures. That can help electric commercial enterprises successfully transfer to be a internet finance platform.

Speed up the Construction of Risk Control System

Compared with the traditional finance, internet finance has a greater advantage in the risk control. The risk control of internet finance can be divided into advance control, intermediate control and afterwards control. Advance control means internet finance enterprises match the corresponding loan interest rate to borrowers through evaluating the credit risk of them using the massive data from internet finance platform. Intermediate control means the daily business activities of the loan companies are fully demonstrated in the internet finance platform, so that Lenders can readily understand the operation of the loan business. Afterwards control means the finance enterprises will decentralize sources of funds, the risk of loan losses will be borne by most people.

Supporting Pattern

P2P

Definition: the form of borrowing fund is “point to point” or “individual to individual”. The main features: using website platform as a intermediary platform for the financing to provide real and effective basic transaction information for both debtors and creditors. They can determine loan interest rate through mutual understanding and negotiation. Fig. 2 shows the running process of P2P.

Representative model: renrendai.com; ppdai.com; creditease.cn

Applicable types: entrepreneurship and innovation activities of a certain size of SMEs. Be required for assets and profitability.

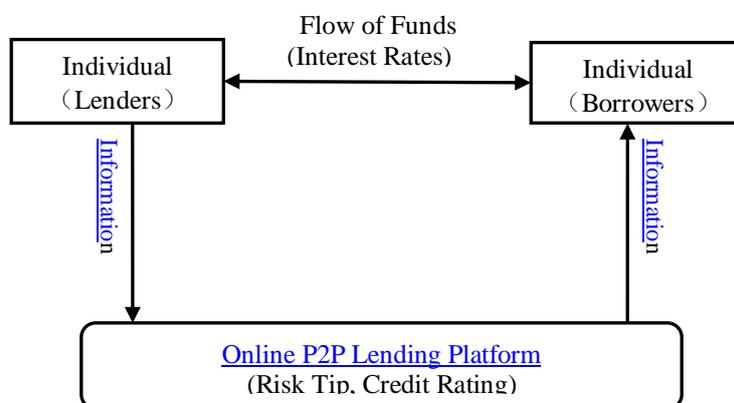


Fig. 2: Process of P2P

Finance Based on Electronic Business Platform

Definition: The model is also on the website of the lending behavior. These sites are operating for many years, the strength of the business enterprise. A large number of SMEs are active in these platforms, at the same time the mass data about SMEs for many years of business operation is also in the hands of them. Through the mass data the electricity business platform offer loans with the bank or the use of their own financial companies after evaluating the credit level of SMEs. Fig. 3 shows the running process of it.

Representative model: aliloan.com; jr.jd.com; dhgate.com

Applicable types: entrepreneurship and innovation activities of the SMEs which operate for a period of time on the platform. Good business record is an important basis for SMEs to obtain financing.

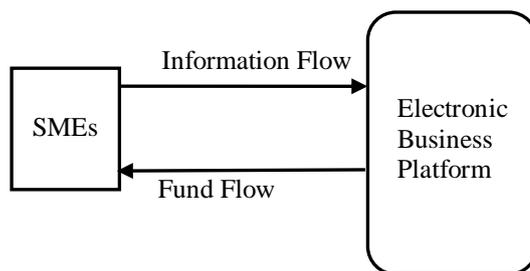


Fig. 3: process of finance based on electronic business platform

Crowd Funding

Definition: crowd funding is also called public financing. That is by the sponsor to a project as the subject of investment, with the help of the Internet public financing platform to attract the majority of social individual investors. Internet platform can analyze the value and risk about the project objectively and correctly, but investment decision is made by investors. Fig. 4 shows the running process of crowd funding.

Representative model: demohour.com; dreamore.com; angelcrunch.com

Applicable types: Applies to the new enterprise or individual Entrepreneurship, innovation activities. But the project need have a good market prospect to stand the platform and the user's demanding review and assessment.

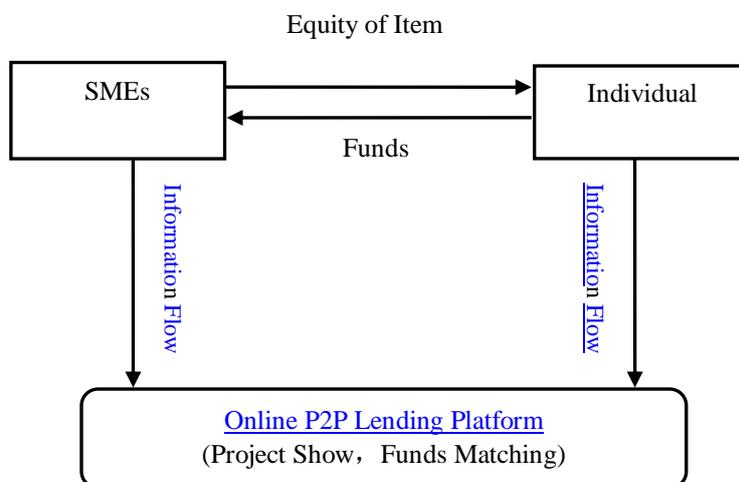


Fig. 4: process of crowdfunding

CONCLUSION

Some achievements have been yielded in "mass entrepreneurship and innovation" activities. But there are also more prominent issues such as weak infrastructure and lack of financial support. Internet finance has the characteristics such as inclusion, convenience, which makes it have a good supporting ability for "mass entrepreneurship and innovation" activities. Different modes of internet finance like P2P, finance based on electronic business platform and crowdfunds have different operating mechanism, which makes them suitable for different "mass entrepreneurship and innovation" activities.

REFERENCES

- [1] Berger et al., (1998). The economics of small business finance: The role of private equity and debt markets in the financial growth cycle. *Social Science Electronic Publishing*, 22(6), 613–673.
- [2] Cohen, W. M. (1987). Firm size and R&D intensity: A re-examination. *Journal of Industrial Economics*, 35(4), 683-685.
- [3] Jaffe, A. B. (1988). Demand and supply influences in R&D Intensity and productivity growth. *Review of Economics & Statistics*, 70(3), 431-37.
- [4] Lin, Y. F., & Li, Y. J. (2001). Promoting the Growth of Medium and Small-sized Enterprises through the Development of Medium and Small-sized Financial Institutions, *Economic Research Journal*, (1), 10-18.
- [5] Lin, Y. F. & Sun, X. F. (2005). Information, Informal Finance and SME Financing, *Economic Research Journal*, (7), 35-44.
- [6] Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review*, 71(3), 393-410.