

# Research on Internet Finance and Innovation of Financing for Small and Micro Enterprises

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**Abstract:** With the development and construction of the Internet, China's economic development has also shown a diversified development trend. Micro and small enterprises play a pivotal role in promoting economic growth and construction. In order to further help small and micro enterprises to have strong core competitiveness in the society and market, the government has also been introducing corresponding policies to benefit enterprises, including dredging monetary policy and deepening financial supply-side reform. Therefore, in view of the development of Internet finance, the innovative management of financing between it and micro and small enterprises can be launched to enhance the development and capital turnover of micro and small enterprises in terms of financing modes and financing channels.

**Keywords:** Internet Finance; Micro and Small Enterprises; Financing Innovation

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## Introduction

Improving the financing guarantee system can effectively solve the difficulty of financing for small and micro enterprises, especially in the context of Internet development, good financing guarantee can enhance the deepening reform effect of small and micro enterprises, and effectively promote the quality and efficiency of small and micro enterprises in project matching, investment and financing services and credit rating. The government can connect to the Internet platform to supervise and regulate the construction of financing services for small and micro enterprises, and solve the difficulties of financing and expensive financing for small and micro enterprises. New financing models such as P2P network lending, e-commerce microfinance and crowdfunding are born along with the development of the Internet, providing new financing channels for the development of small and micro enterprises.

## 1. Research Background

Internet finance can provide more financing possibilities for the development and construction of small and micro enterprises, and focus on improving the financial services and product quality of small and micro enterprises. With the development of information technology level, the financing ability and product quality of micro and small enterprises will also reveal many problems. The government can provide guarantee for the financing of micro and small enterprises by starting the financing management of micro and small enterprises through Internet finance.

In this regard, we can base on the characteristics of China's micro and small enterprises, analyze the mainstream mode and trend of the current development of Internet finance, propose innovative financing models based on the problems of micro and small enterprises in the process of Internet financing, and further enrich the financing theory of micro and small enterprises in the context of Internet finance.

## **2. Internet finance and the current situation of financing for small and micro enterprises**

### **2.1 Current status of domestic and international research**

Through empirical analysis of the constructed experimental model, alleviating enterprise financing difficulties can be solved by bank diversification; SMEs are affected by the financing environment, which makes it difficult to obtain bank credit support, the financing environment includes macro environment and micro environment, the macro environment is manifested by information asymmetry, and the micro environment is mainly manifested by lack of collateral and high credit risk. ebiringa ( 2011) suggests that the way of financing channels for SMEs includes external and internal ways, if external financing methods such as bank loans are blocked, the endogenous financing method of continuing to convert retained earnings and depreciation in the production and operation process into investment is preferred by enterprises, but the long-term sound development of enterprises also depends on the level of internal management.

### **2.2 The current situation of financing for small and micro enterprises in China**

It is enough to see that China's small and micro enterprises in the development of the times changes in financing there are greater difficulties and other circumstances, it can be seen that the current small and micro enterprises are still under greater pressure, but the overall direction and trend has improved, especially in the government for financial investment and policy protection process, for small and micro enterprises to provide more preferential policies, banks also provide the corresponding financing. This can effectively reduce the difficulties of micro and small enterprises in financing, but how to strengthen the innovative financing methods for micro and small enterprises still need to be further explored.

## **3. Characteristics of Internet finance and small and micro enterprises**

### **3.1 Features**

At the same time, they can enjoy quality services. Second, high efficiency, compared to traditional financial financing, Internet finance is easier in terms of operation and process development, through common cell phones, computers and other mobile devices can be operated at any time and anywhere, customers do not need to queue, only with the help of cloud computing and big data brought about by the analysis of calculations, can complete their own service needs when the overall design and products more humane, but also to meet the Third, the coverage is wide, in the Internet financial development mode, can break the geographical space restrictions, can meet the needs of small and micro enterprises and different people on financial management, and can further help small and micro enterprises in loans and financing to obtain diversified help, making the overall resource efficiency more efficient, but also to promote the overall market more extensive.

### **3.2 Related Theories**

The theory is summarized by the above asymmetric phenomenon is the information asymmetry theory. The key point of the theory is that information asymmetry will often cause unilateral adverse selection, making the market in terms of service, product quality, not only in the entire financial and credit market, information asymmetry will cause micro, small and medium-sized enterprises have financing difficulties and at the same time, because the two sides do not have the same information, resulting in banks have more misunderstanding of the operating conditions and solvency of micro, small and medium-sized enterprises. Banks may reduce their support to MSMEs due to risk aversion.

## **4. Problems and Reasons of Internet Finance and Micro and Small Business Financing**

The problems of financing difficulties of micro and small enterprises in the context of Internet finance are mainly reflected in the following three aspects, first, the government support, the government is an important decision maker in macro intervention. Therefore, in the face of market fluctuations and economic development, how to improve the efficiency and quality of micro and small enterprises in financing, so that the effective resources in the market can be used efficiently, the city government in the introduction of policies to promote micro and small enterprises important guarantee, but at present, due to the large number of micro and small

enterprises in China, and the quality varies, governments around the financial support also varies, resulting in many micro and small enterprises can not Second, the bank information is not perfect in the process of background investigation and information analysis of micro and small enterprises, banks around the world can not grasp the actual situation of micro and small enterprises in time, so in the process of lending and financing of micro and small enterprises, banks are not 100%. The financial products and services are provided to MSMEs, which makes it difficult for MSMEs to carry out financing. Third, the products of MSMEs lack competitiveness. Under the current unpredictable market development, the products of MSMEs are relatively single, so they lack innovation and competitiveness in the process of financing, which is not conducive to the development of long-cycle and multi-frequency financing for MSMEs.

## **5. Innovative Development Path of Internet Finance and Small and Micro Enterprise Financing**

At the government level, it should speed up the improvement of the regulatory system and the corresponding laws and regulations, which can further make the development of Internet finance more standardized through the introduction of regulations for Internet finance and small and micro enterprise financing, so as to ensure the healthy and sustainable development of Internet financial institutions in terms of structure, business scope and other aspects. Secondly, to build a perfect social credit evaluation system, by strengthening credit statistics, data sharing can be realized, so that the group of small and micro enterprises can be entered into the file and the credit system can be unified management, and finally, to strengthen the protection of investors' rights and interests, by improving investor complaints and related systems, platforms and service hotlines can be established to realize real-time supervision and complaints, which can also promote market innovation and ensure that small and micro This can also promote market innovation, ensure that small and micro enterprises in financing can have a stronger degree of protection, through a series of publicity to improve the literacy of small and micro enterprises in financial development and risk prevention awareness. As far as enterprises are concerned, MSMEs should integrate their value chains to enhance their endogenous dynamics, improve their internal operations, enhance their risk resistance through the use of modern management models, strengthen credit construction, explore various financing methods, change their financing mindset, and actively use new financial industries such as digital inclusive finance to further break the traditional financial concept, so as to get rid of the traditional bank loan dependence, and promote the effective construction of financing innovation for small and micro enterprises.

## **6. Summary**

Therefore, in the context of government intervention and the promotion of Internet finance, we can further understand the innovation of financing for micro and small enterprises according to the characteristics of Internet finance, and propose improvement strategies to promote the innovation and feasibility of financing for micro and small enterprises from various aspects of government, banks and enterprises.

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