

Supply Chain Financing Research of G Bank

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Abstract

This article is selected G Bank, for example, combing the main mode of supply chain financing of G Bank and financing products primarily involved, summarizing the situation in developing supply chain finance, analyzing it faces some issues. Based on the above analysis, and then make the appropriate improvements: build brand concept and develop a clear development strategy for supply chain financing, optimize risk control measures to accelerate the construction supply chain finance business integration platform to strengthen cooperation and other third parties.

JEL classification numbers: E5, F13

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1 Introduction

Around 2009, supply chain finance is an academic, the real economy and even the Banks "the hottest topic", and in the next few years, the demand for supply chain financing is expected to grow further. From the aspects of the application of supply chain finance, there is really a golden development period in supply chain financing, a lot of Banks will be included in the supply chain financing important objective. Analysis of financial institutions, however, reports can be found in recent years, supply chain financing after years of explosive growth, slowing growth in recent years, some banks appear even the tightening trend. Appear this kind of circumstance is due to in operation and practice, the unexpected risks begins at the beginning of production design, the risk is gradually exposed and no money to find a better solution, the banking industry's attitude to the supply chain financing by actively promote to caution. Therefore, for the banking industry, how to establish and improve customer access standards, build customer monitoring platform and

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the development of effective risk control system to supply chain financing services for the healthy and steady development of escort, which have become to be resolved problem for the commercial banks .

In this paper, G Bank supply chain financing, for example, the use of some of the scientific analysis methods to identify problems and propose optimization measures. Therefore, this topic not only has theoretical and practical significance, but also provide enhanced when the supply chain financing risk control provides a certain significance for other commercial banks.

2 Review of Researches

Before 2002, the "supply chain" and "financing" has appeared as two subjects in the academic and business community. Until 2003, James B Rice (2003) for the purpose of financing innovation, supply chain and finance proposed combination of vision, and a preliminary study of the combination of both the feasibility and development potential. Leora Klapper (2005) detailed analysis of inventory financing for SMEs employ modes and functions. Hofman.E (2005) recognized supply chain financing can help change all aspects of the supply chain enterprises to achieve an effective means of financial supply chain management, and can be more effective to improve efficiency, reduce transaction costs.

Zou Xiao Peng and Tang Yuanqi (2004) in the "Financial Analysis of logistics," a paper presented for the first time "logistics finance" concept, and defines its connotation and denotation, pointed out the logistics of financial research scope and direction. Liu Changyi, Sun Gang (2011) constructed the index system of credit in the supply chain financing model of the enterprise, and the establishment of appropriate guidelines. Cycle (2011) that the relationship between the core of the supply chain enterprises, banks, loan companies among equally affect the supply chain financing of moral hazard. Juan (2011) as a complete supply chain organization, through the supply chain financing practices analyzed and summarized, compared the similarities and differences between domestic and foreign financial institutions to finance the supply chain, and provide recommendations for banks operating model of supply chain financing.

3 Development of Domestic And International Supply Chain Financing

In the 1980s, with the further development of economic globalization and the social division of labor, the globalization of outsourcing production model promotes the extension of the entire production process and supply chain gradually formed a production model. Dutch bank is one of the bank earlier in the related business, the bank take advantage of its advanced internet technology, international trade finance and supply chain financing combined achieved remarkable results. America's General Electric (GE) and Pacific asset finance company innovation mode of stock ownership pledge, enables the supplier to lower interest rates to obtain financing, well solved the problem of insufficient Xiao Huo Fang liquidity. These successful precedent for the practice of our supply chain financing provides a valuable reference. The business of Banks in China, joint-stock Banks, state-owned commercial Banks in China, mostly in the supply chain financing financial services such as part of the commercial Banks has not been involved in. Existing in the supply chain

financing, product range mainly involved payable, accounts receivable, inventory, three types of product structure involving relatively similar, but from the point of industry development, industry development between commercial Banks focus is slightly different.

4 Situation of Supply Chain Financing of G Bank

4.1 G Bank Briefing

G bank is a state-owned large-scale joint-stock commercial bank, through continuous efforts and steady development ,G bank has already entered a world leading line, outside the network extended to more than 40 countries and regions, formed by commercial Banks as the main body, integration, internationalization, informationization management pattern. In 2013, at the top of the British "banker" top 1000 big Banks in the world, into the world top 500 enterprises list for many times, and in 2013 the global systemically important Banks.

4.2 Situation of Supply Chain Financing of G Bank

G Bank as a domestic commercial banks earlier in the supply chain financing of financial institutions, large bonuses and profit performance of supply chain finance business acquired. Specific performance is as follows:

From the marketing point of view, the first half of 2014, the Bank issued a total of 193 billion yuan supply chain financing, as of the end of June, 1607 and effective supply chain, effective supply chain customers 4505, respectively, an increase over the same period last year to pay 287, 749 , customer development with remarkable results.

From the customer distribution, supply chain financing within the first half of the table top ten cumulative disbursement supply chain amounted to 39.6 billion yuan put tired, accounting for 26% of the total cumulative amount of discharge, in which a car manufacturing company for the supply of the core business tired put chains accounted for more than 7.89%; table outside the top ten supply chain tired to put \$ 19.9 billion, accounting for 45%, with a steel manufacturing company in the supply chain for the core business accounted for more than 15% cumulative release. The above data show, G bank customers uneven distribution supply chain, the total supply chain customers have grown substantially, financing concentration is too high.

4.3 Bank Internal Classification of Supply Chain Financing

According to the different dependency on customers and supply chain risk bearing, G makes its supply chain financing business model divided into the following three categories:

1. Branch point for the country's business model: In this mode, the core business enterprise in which the location of the core points behavior of all customers for the supply chain all the supply chain financing business, and independently undertake preliminary credit investigation, initiated the process, credit review, audit withdrawals, loan management and other working and independently bear the risk of loans.
2. Headquarters centralized management mode: In this mode, the core enterprise branch location to play a leading marketing advantage, and reached consensus on cooperation in supply chain financing or strategic cooperation program with the core business and to identify service model, supply chain, customer marketing headquarters will implement its

task decomposition each branch location or lower marketing department. In mode, the headquarters may be the head office, branch or branches under each level.

3. Territoriality operating mode: This mode is the core of the enterprise is located branches or business organization initiated marketing, supply chain, customer lists to obtain core business provides to customers after sharing a branch location, specific aircraft handled by the local supply chain financing business, the core business of the contract were sent to the location of branches up, debts and other information check with the work; or supply chain customers find the location of branches active marketing market opportunities in obtaining credit to support the core business, according to customer demand for its own supply chain, marketing and business process.

4.4 Supply Chain Finance Product System Constituted of G Bank

G bank financing products supply chain is shown below, shows that G bank supply chain financing products has been basically covered the whole industrial chain "production - for - sale".

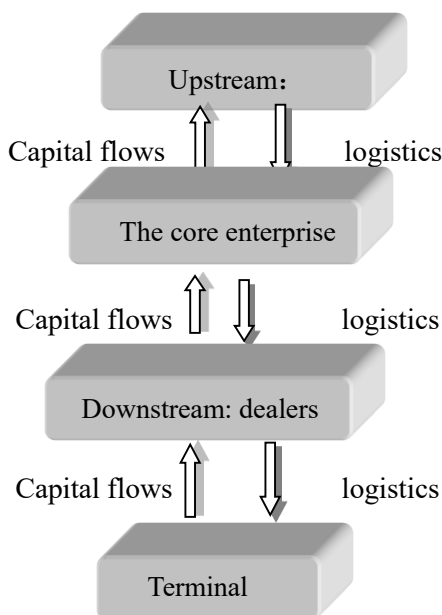


Figure1: One based on the core business of the whole industry chain of domestic trade finance products schematic diagram

5 G Bank Problems Existing in The Supply Chain Financing

5.1 Development Strategic Challenges

5.1.1 Lack of brand building

G bank has not yet been to brand development and construction of the supply chain financing products, to supply chain financing business still in the stage of product marketing. And from the perspective of the customer marketing, mainly through the existing financing

derived upstream and downstream industry chain, customers looking for supply chain financing opportunities. Client development starting point on the stock of loan customers, ignore the other potential customers outside of the salt.

5.1.2 Aspects of customer development challenges

There is still much room for improvement expand G Bank supply chain financing.

First, there is spare capacity to expand the customer. From the financing point of view, tired to put money in front of supply chain supply chain ranked 10 accounted for more than 26% of the total amount of financing, supply chain financing to expand the overall total unevenly distributed.

Second, industry concentration is too high. From the end of June 2014, G Bank supply chain financing point of view of internal statistics, G Bank wandering up and down the supply chain financing for up to 80 clients design industry sectors. However, the Bank has put in a total of 53 industries in the amount of 1 billion yuan less.

5.2 The Restriction of the External Ecological Environment

External environment, the development of the domestic supply chain financing development lags behind the practice. Development of the domestic supply chain financing is in error correction and then continue down the reform process of forcing the external environment.

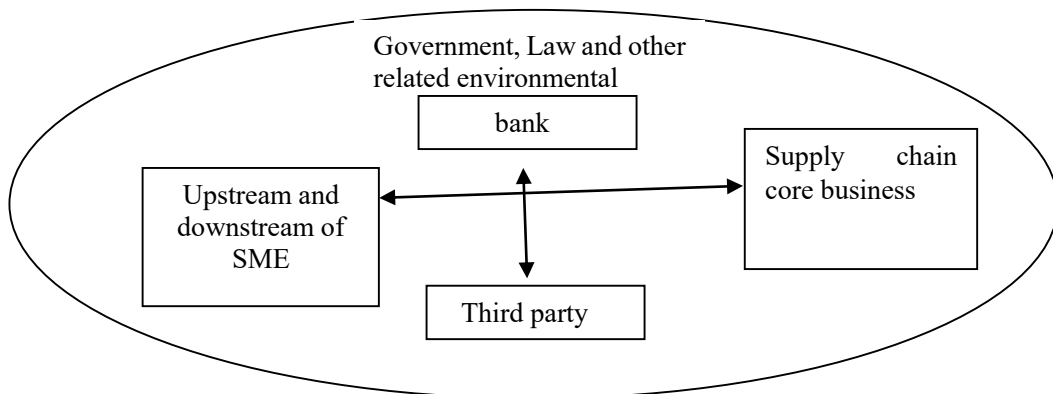


Figure 2: Supply chain financing ecological map

5.2.1 Imperfect legal environment

The movables guarantee in our country's relevant laws and regulations is not sound. Compared with domestic trade finance, supply chain financing is mainly to increase the credit enhancement of core enterprise.

5.2.2 Commercial credit is not high

Because of credit financing, issuing bank as the first person payment obligations, both buying and selling often use it, forged false trading contracts open letters of credit, letters of credit and financing through a legitimate transfer of funds, so that some do not meet the conditions of access to finance SMEs stand by.

5.3 Problem of Internal Operating Procedures and Management Control

5.3.1 Product design is unreasonable

Product design flaws are:

First, account payables financing: for the threshold is low, inconsistent with their degree of risk. G banks handle payables financing requirements for corporate credit rating BBB +, the minimum requirements for this level is essentially G banks to accept applications for corporate financing.

Second, factoring financing for the construction industry: construction enterprises for factoring financing supply chain financing, the bank by the relevant provisions of G limit factoring financing construction projects, financing must not exceed the prescribed period accounts receivable period after three months and cannot be more than six months. However, in practical operation, the account of the construction companies generally longer financing period of six months, and cannot meet the financing needs, inconsistent with the laws of the construction industry sector.

5.3.2 Information sharing platform construction is lagging behind

About 2013 full jurisdiction to enable new electronic approval system CCMS, the second half of 2013 began, the entire credit business to the new system, the approval process is still single CM2002 old system is completed, the system is currently running at the same time the two states. From a process point of view, the one does not take into account the development of the supply chain, finance, supply chain finance business processes and other domestic trade finance business processes no different. Secondly, failed to establish the core business of a large database, the core business of between upstream and downstream enterprises trading background investigation or in the line based. Third, the failure to take into account supply chain financing repeated financing over financing issues.

5.4 Risk Control Problems

5.4.1 Cyclical industry risk

Supply chain financing for G bank customer industry concentration degree is higher, for some industries on the supply chain finance is bigger, easily affected by the cyclical industry.

5.4.2 Debt control mechanism risk

Once the bank for a specific control mechanism of the supply chain cannot be solved at the protocol level, but verify through informal channels, such as the personal relationship, operation risk and moral risk is difficult to prevent, will lead to greater credit risks. This phenomenon can be called "fake" supply chain risk in practice.

6 G Bank Supply Chain Finance Development Suggestions

6.1 G Bank Supply Chain Finance Business Development Strategy

G Bank favor the strategy also full reference to its current position in the industry in the supply chain finance business development which make full use of the advantages of the

larger initial stages of favorable factors such as competition, taking into account possible future challenges encountered increasingly fierce reality, relying on its own both advantages G Bank to focus on the short-term supply chain finance business development and R & D related to their financing products. In this regard, G banks need to be improved in the following levels:

6.1.1 Market Competitive Strategy

(1) Accurate market positioning

The first is customer orientation. G Bank in the business to pay attention to the needs and individual needs systematic organic integration. Followed by business areas positioning. Supply chain finance as something new in the development of mature, agglomeration effect is obvious, strong awareness of intellectual property areas are more space for development, but at the same time in such areas of traditional service models and large financial institutions may have more advantages, so G Bank shall between the two fully weigh the selected business areas. Finally, analysis of product positioning. G Bank R & D department in the development of their own brands, on the one hand make quasi-market and corporate contacts, and actively respond to customer demands, but we also need to fully integrate itself unique, copy into the details of the advantages of the limited space in which the product.

(2) Increase product innovation

G banks should increase innovation in the emerging field of finance. To explore the best ways to research a number of factors in the international frontier, the latest information and communication technology, industry characteristics, business needs, integrate their own advantages, such as innovation, strengthen cooperation with universities and research institutions to accelerate the commercialization process related outcomes.

6.1.2 Strategic Cooperation Strategy

(1) To strengthen cooperation with the core business

Core business is an important part of the supply chain, supply chain finance in the conduct of business, the core business is the main source of all kinds of information. After supporting businesses to obtain financing, the bank need to monitor to ensure that its core business to provide timely on-demand products and services.

(2) To strengthen cooperation with third-party logistics companies

Through the acquisition, hoof election analysis of logistics enterprises to provide various types of data, G Bank is also available from the program to the level of the distribution chain enterprise operation and understand the risk of making the side.

6.2 Risk Prevention Strategies

Good grasp of risk is the basis for supply chain financing business continued healthy development.

6.2.1 Reasonably determine the core enterprise supply chain finance limits

G banks need to combine upstream and downstream supply chain transaction size, available working capital line of credit classes as well as the core business of financing the risk characteristics of the upstream and downstream supply chain, supply chain financing limits

reasonably determine the core enterprise, effectively preventing the supply chain as a whole over the financing risk.

6.2.2 A reasonable allocation of the supply chain customer credit

You belong to the core business of the group members agreed that the situation within the enterprise, in carrying out the process of supply chain finance business should strive to reach a consent agreement from the group level and its affiliated companies have approved the list system in the form included in the scope of the agreement bound to unify business standard, a reasonable allocation of credit and total control.

6.3 Speed up the Construction Supply Chain Finance Business Integration Platform

G Banks must accelerate the construction of integrated supply chain finance platform. Supply chain finance platform will integrate all business transaction information, logistics, information and banking background information management system involves the integration of the supply chain, for all entities in the supply chain, including the core business, the downstream business, G Bank offers a self-service operation business platform.

7 Conclusion

With the further development of economic globalization and large-scale social division of labor, supply chain financing is bound to become the focus of future commercial bank competition. But financial product homogeneity is very serious, so that commercial banks based on supply chain finance business expansion in improving product features recognizable brand, a clear strategic position in the supply chain financing, by increasing the capacity of relevant professional employees, streamline business processes shorten the processing time and improve their service capabilities and service levels, establish differentiated services to a competitive advantage in future competition.

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