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Smart P&L

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# Benefit analysis document

by Sparklefish



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## 1、Introduction

With the rapid development of China's economy, the scale of small and medium-sized enterprises is also growing rapidly, and the role is becoming stronger and stronger. The small and medium-sized enterprises have accounted for more than 99 % of the total national enterprises, becoming an important factor in the development of our market economy and economic growth, and the number and scale of small and medium-sized enterprises will continue to develop.

While the small and medium-sized enterprises are booming, the financing environment of SMEs is not optimistic. Data released by the bank of China in 2014 showed that by June 2013, 5651 million SMEs accounted for the total number of enterprises in the country, less than 10 % of the credit support from banks. The “three mountains” of Chinese SMEs: financing difficulties, the narrow financing channels and the high cost of financing are becoming increasingly heavy.

The “Smart P&L” is based on such a development background, tightly seizing the opportunity of market development, entering into the field of SMEs financing, striving to improve the financing status of SMEs, reduce the financing cost of SMEs, and provide convenient and normative services for SME's inter - enterprise lending and guarantee. The platform establishes enterprise cooperative partnership network based on the users of registered enterprises, and carries out debt financing business and equity transaction business of small and medium-sized enterprises based on the cooperative partnership network, providing convenient information connection matching and credit audit and risk assessment service for enterprise financing.





The main characteristics of “Smart P&L” are: ( 1 ) to establish a cooperative partnership network for enterprise users, to make the financing business contacts between enterprises more convenient and standard, and to control the risk with the mutual understanding between enterprises; ( 2 ) creatively providing the standard reference mode for the mutual guarantee business between enterprises, so that the mutual guarantee between enterprises is efficient and convenient; ( 3 ) to increase the credit rating information of enterprises and provide more information for the lending and credit audit of financial institutions based on the historical records of the use of enterprises on the platform; ( 4 ) to provide businesses and financial institutions with the business of buying and selling enterprise debt, to help enterprises obtain cash flow quickly.

The “Smart P&L” is for two types of customers, namely, small and medium-sized enterprises and financial institutions related to enterprise lending business. We are committed to providing more options for SME financing, and at the same time, through the intelligent recommendation function of financial institutions lending, to achieve the information docking and matching between financial institutions and SMEs. Through the platform, SMEs based on their respective partnership network to complete the business financing related business ( inter - enterprise lending, inter - enterprise guarantee, enterprise loans ), to make small and medium-sized enterprises more standardized, convenient and efficient; and the cooperative financial institutions can also use the platform to carry out more secured loan business, to obtain more enterprise information, so as to expand the business while effectively controlling the risk of loan risk.





## 2、 Direct economic benefit

### 2.1 Improving the financing situation of small and medium-sized enterprises

Data released by the bank of China in 2014 showed that by June 2013, 5651 million SMEs accounted for the total number of enterprises in the country, less than 10 % could gain the credit support from banks. The “three mountains” of Chinese SMEs: financing difficulties , the narrow financing channels and the high cost of financing are becoming increasingly heavy.

The current financing channels of SMEs are mainly three: banks, formal financial institutions, private lending.

For banks and formal financial institutions, although the main financing channels of SMEs are still banks, but because most of the business of the financial institutions is oriented to the whole society, the financial institutions dedicated to SME services have not yet emerged, therefore, SMEs in the financing of some inherent attributes, such as the smaller size of enterprises, poor business management, the little fixed assets used for mortgages , and other factors will make it more difficult for enterprises to obtain financing. On the deeper level, the information disclosure of SMEs is not perfect and the financial institutions do not understand the SMEs, and the assets SMEs can be used to mortgage is too little, which is the urgent problem for SMEs to obtain financing. For the financial institutions which cooperate with the “Smart P&L”, the platform will provide high-quality financing information docking services for financial institutions through the provision of financing enterprise credit information, debt trading, priority recommendation, and so on. Enterprises with financing needs can make loans directly to the financial institutions cooperating with the platform through this platform, and the financial institutions can make the loans more easily by taking the historical information and credit records of the platform into consideration.





In addition, when the enterprises with financing needs can not get the loans smoothly from the financial institutions, the enterprise can publish the enterprise guarantee request through the partner network, and under the premise of the payment, letting the enterprise of the cooperative partnership network guarantee the enterprise loans, so as to obtain the bank loan.

For private lending, objectively speaking, the current private lending with a boom has become an important way of SME financing. However, although the procedures of private lending are simple, creditors and debtors are more closely related to each other, the higher interest rate of private lending, the larger risk, and the non-standardized market lead to the small proportion of private lending in the market, and it cannot be the primary option for SME financing. Enterprises are often forced to turn to private lending after failing to obtain loans from formal financial institutions. The “Smart P&L” adheres to the SMEs as the core, based on the cooperative partnership network of different enterprises, so that enterprises with financing needs can publish the financing demand information according to their own needs at different levels of the partner network, and reach an enterprise borrowing intention with the relevant enterprises.

## 2.2 Expanding the business scope of financial institutions

For financial institutions, most of the financial institutions business is oriented to the whole society, its loan business is generally only tend to larger scale and enterprises with a low risk of default ; At the same time, some financial institutions are limited to regional visibility as a result of their business scope is limited to a certain extent.







Through the “Smart P&L”, on the one hand, the cooperative financial institutions can conduct enterprise credit audit to the enterprise which loan to them ,simplify the lending process, and increase the loan object through the platform; on the other hand, financial institutions can also participate in the acquisition of corporate debt. In short, financial institutions can work with more enterprises with more matching supply and demand. Some of the financial institutions which are limited to regional visibility as a result of their business scope is limited to a certain extent can also access more suitable and different areas of customers through the platform, and be known by more small and medium-sized enterprises .

### 2.3 Promoting cooperation and understanding among small and medium-sized enterprises

After the initial registration of “Smart P&L”, small and medium-sized enterprises can invite relevant enterprises which have intersection with them to become partners according to the needs. After confirming and agreeing to the invitation, the enterprises of the two sides will integrate the other party into the partner directory of the enterprise. In this way, each user can incorporate multiple enterprises into their own partner address book to establish their own enterprise partner network.

In their own partnership network, the enterprises with financing needs can publish the financing demand information according to their own needs at different levels of the partner network, and reach the enterprise loan intention with the relevant enterprises; enterprises can also issue guarantee request through the partner network, and under the premise of paying a certain fee, the enterprise of the cooperative partnership network can guarantee the loan for the enterprise, so as to obtain the bank loan.





In general, the “Smart P&L” establishes an inter-firm partnership network for SMEs, and supports the publication of enterprise financing information and mutual guarantee cooperation information between enterprises, and promotes mutual guarantee to bank loans and inter-enterprise loans relying on the enterprise cooperation partnership network; at the same time, it can promote the exchange of small and medium-sized enterprises and understanding the business conditions of each other.

### 3、 Indirect economic benefits

#### 3.1 Expanding the space for the development of small and medium-sized enterprises and increasing the market vitality

Small and medium-sized enterprises not only become an important force to promote the sustained, stable and rapid growth of our national economy, but also play an important role in adjusting the economic structure, expanding social employment, developing local economy and increasing financial income. However, the defects of the small and medium-sized enterprises, the lack of the financial system in our country and the lack of force in all aspects of the society make the shortage of funds and financing difficulties become the bottlenecks of the development of small and medium-sized enterprises, which seriously hinder the healthy development of the small and medium-sized enterprises. The emergence of the “Smart P&L” provides financial institutions with more SME information, making corporate guarantees and mortgage assets become more and the lending among enterprises become more standardized, thereby improving SMEs' current problems such as financing difficulties, narrow financing channels, higher financing costs and so on, making SMEs have sufficient funds to expand their production and operation scale, innovate production technology, enhance their visibility, etc., thereby greatly expand their development space, and at the same time enhance market competitiveness and market vitality.







### 3.2 Reducing the risk of financial transaction and promoting the stabilization of market order

In order to ensure the authenticity of the registered enterprise information and eliminate the possibility of using the platform fraud, the enterprises need to pass strict information authenticity examination. And the “Smart P&L” ensures the authenticity and reliability of the enterprise information by cooperating with the third party credit reporting organization . At the same time, in order to prevent the possibility of fraudulent institutions using platform fraud, the “Smart P&L” will also perform the duties of verifying the qualifications of financial institutions before entering into a cooperative relationship with the relevant financial institutions.

Relying on the enterprise partnership network, the platform allows for mutual borrowing only among enterprises within a relationship network, as a result of a better understanding among partners and the use of the loans and the status of the financing enterprises, so inter-enterprise lending between partners can be more effective in controlling risks.

And the cooperative financial institutions can also use the platform to carry out more secured business loan business, taking the history information and credit records in the platform of the enterprise into consideration to obtain more enterprise information, so as to expand the business while effectively controlling the risk of loan risk.

All the above have reduced the risk of financial transaction to some extent, and then increased the transparency of financial market and promoted the further stabilization of market order.





## 4、 Social benefit

### 4.1 Stimulating the enthusiasm of national entrepreneurship

The “Smart P&L” greatly reduces the financing difficulties of small and medium-sized enterprises, so that SMEs could break the bottleneck of capital shortage and financing difficulties, thus greatly expand their development space and improve the possibility of survival and development. For ordinary citizens, on the equivalent of reducing the capital threshold for their entrepreneurship, it will also stimulate their enthusiasm for entrepreneurship.

### 4.2 Increasing social welfare

From the perspective of economics, social individuals are generally risk-averse. In the process of using the “Smart P&L”, the financing difficulties faced by SMEs can be effectively solved, and for enterprises without financing needs, the surplus funds can be used in the form of inter-enterprise loans, or through the guarantee of loans for other enterprises to obtain additional income; at the same time, financial institutions can also reduce the risk of loans and expand users through the platform. The economic surplus of enterprises and financial institutions has been greatly improved, and the utility of the enterprises in society has also been improved accordingly. In the view of utilitarianism in the social welfare economics, the social welfare is equal to the individual utility of each member, then it means that when the respective utility is promoted, the sum will also increase, and it will improve the general welfare of the society.





### 4.3 It has strong positive external effect

In fact, when a financial application platform or electronic application software is put into the market, in addition to the improvement of its own benefits, its success depends on whether it can bring strong external benefits to the society.

We can foresee that when the “Smart P&L” is launched into the market, the most direct effect is to strengthen the exchange and cooperation among SMEs, improve the financing difficulties of SMEs and expand the business scope of financial institutions; and indirectly, to promote the national autonomous entrepreneurship, improve market order, enhance market vitality and so on. On the basis of the marginal benefits of the small and medium-sized enterprises and financial institutions, we add the higher social marginal benefits to the social or social members, which will lead to the improvement of the total social benefits and the improvement of productivity.





## 5、 Summary

To sum up, the “Smart p&l” is based on the construction of the cooperative partnership network, gaining easy and remarkable effect with a extremely low cost of information communication. It not only can help small and medium-sized enterprises solve the problems of financing difficulties, narrow financing channels, high financing cost through the loan and guarantee between the cooperative enterprises, but also promote the business scope of financial institutions and help them to absorb more customers, bringing satisfactory direct economic benefits.

At the same time, the solve of problems such as the shortage of funds and financing difficulties makes small and medium-sized enterprises have a greater space for survival and development, playing a more significant role in adjusting the economic structure, expanding social employment, developing the local economy, increasing the financial income, promoting the growth of our national economy, and thus enhancing the market vitality; in addition, the platform reduces the risk of financial transactions through various measures, thereby increasing the transparency of financial markets and promoting the further stabilization of market order.

In the aspect of social benefits, the “Smart P&L” enhances the confidence of national entrepreneurship, and makes the social atmosphere of public entrepreneurship stronger; and through its own efforts, at the same time because the platform has a strong external positive effect, thus can better improve the total social benefits and increase the total social welfare.

