



Study on Online Financing Based upon Internet and E-commerce

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Abstract

Online financing is a brand-new financial management mode based on Internet and e-commerce. Vigorous development of Internet is foundation and indispensable technical support for online financing, and unfolding of e-commerce calls for implementation of online financial management, while “Accounting Law” and “Accounting Standards for Enterprises” in China offers an appropriate law environment for online financing. In terms of space, online financing realizes coordination, convergence and remoteness of management; in terms of time, it realizes online dynamic management, which improves work efficiency and quality of financing personnel to a great extent. Development and construction of an enterprise’s online financial management system mainly contains the following four parts: feasibility analysis of implementing online financing, system programming and design, implementation, operation, assessment, maintenance, and improvement of system.

According to statistic data from Chinese Internet information center, by the end of June 2008, the number of Chinese netizens had attained 253 million, popularizing rate of Internet 19.1%, and number of online shopping users had reached 63.29 million. Vigorous development of Internet and e-commerce has brought huge strike on financial management of an enterprise. Original financial management mode targeting at capital flow can not adapt to operation and management requirements of modern enterprises, which calls urgently for corresponding revolution. At the beginning of the 21st century, proposing and unfolding of online financing brought into a brand-new mode based on e-commerce for financial management, and became a hotspot in the field of financial research.

Keywords: Online financing, Internet, E-commerce

1. Background of and causes for online financing

Online financial management is a functional and brand-new financial management system that is based on computer network technology, targeting at integrating and realizing e-commerce of an enterprise, centered with financial management, coordinating finance and business, supporting e-commerce, and providing financial accounting, and management under Internet circumstance. It is a key component of e-commerce, which is applied into e-commerce based on financial accounting and management on Internet platform.

1.1 Vigorous development of Internet is foundation and indispensable technical support for online financing

According to statistic data from Chinese Internet information center, by the end of June 2008, the number of Chinese netizens had attained 253 million, and the scale had reached the first in the world. By the end of June 2008, popularizing rate of Chinese Internet had reached 19.1%. Among the 15 countries that had the highest Internet popularizing rate, China mounted up with a speed of 20%. All the above information indicates that Chinese Internet development has entered a brand-new phase, and has laid solid and favorable foundation for various management modes based on Internet.

Insert Figure 1 here

Insert Figure 2 here

As a tidal wave in IT, network has brought huge strike on financing and management information system. The fact that Internet changes transmission of information necessarily results in a leap of the system in the process of information collection and transmission, which means this convenient and fast online information transmission makes possible online financing. Therefore, development of Internet is foundation and indispensable technical support for online financing.

1.2 Unfolding of e-commerce calls for implementation of online financial management

With improvement of overall online shopping environment in China, increasing tendency of online shopping market is more obvious. Currently, the number of online shopping users has reached 63.29 million, and 25.0% of netizens are in favor of online shopping which is within the first ten online applications.

Insert Table 1 here

In online shopping, especially C2C online shopping, online payment means and utilization of online bank have been rather universal. And B2C online shopping also gets more and more enriched in terms of online payment means. Development of both of these two online applications is able to promote online shopping.

The open environment of Internet and e-commerce has brought huge strike on traditional business flow. There appear some limitations to the regional financial management mode targeting at capital flow, including information distortion, information lagging, information repetition and loose supervision, etc.. Therefore, it can not adapt to operation and management requirements of modern enterprises, which calls urgently for corresponding revolution. In an e-commerce situation, function of traditional financial management should go towards diversification; method of management towards responsiveness, practicalness, adaptability and convergence; working means of management towards computerization, remote management, online management, online office, and mobile office; management target from capital flow to information handling of the overall economic activity.

1.3 Law environment for implementation of online financing has taken initial shape

“Accounting Law” put into force on July 1st 2007, and the new “Accounting Standards for Enterprises” put into force on January 1st 2007 offer an appropriate law environment for online financial management. Firstly, these two statutes established legal position of electronic bill of document for the first time, which enabled online financial management to have laws to follow. Secondly, they added inner system of accounting treatment for electronic trade, such as management system of online settlement, etc., which enabled online financing to be legally guaranteed as part of e-commerce. Thirdly, they promoted unification of accounting systems of various industries and regions, which made possible different city coordinating treatment of online financial management.

2. Functions and advantages of online financing

In comparison with traditional financial management, functions and advantages of online financial management are mainly displayed in the following:

2.1 In terms of space, online financing realizes coordination, convergence and remoteness of management

2.1.1 Coordination of financial processing and business processing. Development and prevalence of Internet has connected financial department and other business departments, so they can share common information, which, in turn, realizes coordination of financial information and business information. Coordination of these two are displayed in three aspects: firstly, business coordination of inner organization, such as online purchasing, online sale, storage management, online service, online checking on work attendance, and online salary management; secondly, coordination with supply chain, such as online enquiry, online reminder, customer relationship management, etc.; thirdly, coordination with relative social departments, such as online bank, online insurance, online tax declaration, and online securities investment, etc..

2.1.2 Remoteness of financial management. Online financing system breaks through spatial limitations of traditional financial management, and enables management to extend to any node in the world. So quite a lot of remote processing functions get implemented without difficulty, such as remote reporting, remote account rendering, and remote audit, etc., which intensifies financial supervision of director units on their sub-branch institutions.

2.1.3 Convergence of financial management. In recent years, with increasingly vehement market competition, and with requirements for risk control and capital management, financial management mode has begun to transfer from distributed management to converged management. Appearance of Internet has made possible information convergence, which differs from information convergence of traditional financial management after the event, and which is a sort of dynamic and real time information convergence. This sort of information convergence is capable of achieving information sharing, and information transparency.

2.2 In terms of time, online financing realizes online dynamic management

2.2.1 Dynamic accounting enables calculation to achieve real time after the event. Online financing is able to practically and conveniently display various dynamic financial reports that reflect enterprise operation and capital status, enriching accounting information and improving value of accounting information.

2.2.2 Online management enables financial management to transfer from static state to dynamic state. In the online financing situation, online database contains information of all online enterprises. An enterprise can carry out online fund procurement, online different city transfer, online securities investment, online foreign exchange trade, online

financial audit and online business enquiry, etc.. Real time information feedback provides comprehensive, timely, accurate, safe and reliable financial information data for financial decision-making of an enterprise.

2.3 In terms of efficiency, online financing improves work efficiency and quality of financing to a great extent

2.3.1 Online financing realizes computerization of financial working method. Financial personnel can have mobile and online office at any time and in any place. Financial personnel and enterprise directors can use mobile terminal network to inquire about all sorts of financial data, and carry out online instant decision-making control.

2.3.2 Online financing realizes electrification of settlement payment. In the online financing situation, online payment and settlement based on currency electrification get implemented comprehensively. Electronic bill of document and electronic currency enables capital to turn over with an accelerated speed, which in turn improves efficiency of settlement payment.

2.3.3 Online financing reduces cost of management expenses. The fact that online financing adopts EDI reduces data transmission and processing time to a great extent, economizes expenses in paper for documents, printing and copy, storage and mailing, etc., and, thereby, reduces management expenses considerably.

2.3.4 Online financing improves quality of work by financial personnel. Advanced accounting means of online financing enables complicated accounting process to be completed with computer system, which is fast, and accurate in data. Work which took a great deal of manpower and time can now be finished within a blinking moment, so our major energy may be used into data analysis and control of production operating process, and may accordingly and timely adjust and perfect windage or loophole in inner accounting and management. Online financing improves work quality of financial management considerably.

3. Development and construction of online financing system

For implementation of online financing, financial software development corporation also plays an important role in addition to enterprises. For large and medium-size enterprises, if they are qualified to set up their own perfect intranet, they may confirm implementation plans of their own online financing by themselves; while for a large majority of medium and small-size enterprises, if they are not qualified or there is no need for establishing by themselves, they may resort to financial software corporations. As a key step in managing capital flow of an enterprise, changes of financial management tend to come down to the following aspects: collection and processing of basic data, business flow, organizational structure of an enterprise, management system and mode, investment decision-making and operating, as well as maintenance, etc.. In the establishment of a system, it should be promoted step by step from easy to difficult, and from simple to complicated. In detail, development and construction of online financial management system of an enterprise primarily contains the following four parts: feasibility analysis of implementing online financing, system programming and design, implementation, operation, assessment, maintenance, and improvement of system.

3.1 Feasibility analysis of implementing online financial management system

If an enterprise intends to develop and apply online financial management system, we should have a comprehensive grasp of its overall situation, conduct deep and meticulous investigation, and analyze feasibility of its implementation, since it is an important aspect in system construction. It contains the following: whether implementation of online financial system fits into strategical target of the enterprise, what financial information demand is lacking inside and outside the enterprise, impacts of online financing on industrial status and competition advantages of the enterprise, and economic feasibility and risk analysis based on online financing investment.

In the feasibility analysis of implementing online financial information system, what should be primarily ensured is that implementation of this project will be more helpful for the realization of the overall strategical target of an enterprise, and for the coordinated development with informationization of other departments. Otherwise, implementation of online financial management would become an "isolated information island" once again, not able to play its deserved role. Meanwhile, after confirmation of industrial status and competition advantages of the enterprise, an analysis of the system implementation may make clear whether it will enhance its industrial status and competition advantages. An analysis of investment benefits of the system establishment should take direct benefit and indirect benefit into consideration.

3.2 System programming and design of online financing

After feasibility analysis on implementation of online financing, an enterprise can conduct programming and design of online financing based on qualifications of the enterprise. On the basis of earlier investigation and demand analysis, an enterprise should conduct comprehensive design and improvement on its financial report flow, inner accounting system, standard coding, and software system, and conduct overall programming on its fund source, investment scale, construction progress and technical plan. To design network structure on the basis of business design and also to make clear how to put this into practice. In the course of system programming, an enterprise should conduct "comprehensive programming" from an overall point of view, and unify standards, so as to leave space and room for further

improvement.

3.2.1 Business design. At the phase of business design, an enterprise should firstly make clear design principles of a system, and make an assessment on status quo of its financial management system. Then the enterprise can design an overall structure of online financial management system. According to different vertical directions of management levels, the system can be classified into three levels, namely, accounting system, analysis and control system, and strategy support system of online financial management.

3.2.2 Network design. An enterprise should provide instructions for system design according to its characteristics, so as to realize online financial management system. If the number of online business management system intranet is too large, and positions are too separated, an enterprise should adopt multi-layer structure to realize real time transmission of information in the design process of the entire network. This kind of structure enables network to be have high reliability, strong expansibility, large throughput, and clear configuration, convenient to maintain and manage. In the process of network design, an enterprise should also consider the following aspects: selection of appropriate operation system, database management system, generic cabling, software and hardware, anaphase management and maintenance of network, as well as resolution of network safety issue. Safety issue should be put in the first place in the design of the entire network.

3.3 Implementation of online financial management system

After preparation of the first two phases, online financial management enters a development phase of substantiality. For an enterprise, implementation of online financial management system should be finished through two steps: on one hand, to establish financial online system within an enterprise, and to realize inner informationization of an enterprise, which is an information system used within an enterprise for production, operation and management, and which is able to realize coordination of inner management; on the other hand, to realize contact outside an enterprise through Internet, which can accomplish coordination of an enterprise with supply chain, customers and relative departments outside the enterprise, which can achieve resource sharing of financial information to a greater extent. The primary task of an enterprise during its process of implementation is to set up inner network and to connect it successfully into Internet.

3.4 Operation, maintenance, assessment, and improvement of online financial management system

As core information of an enterprise, normal operation and regular maintenance of financial information is rather important. In its daily operating, an enterprise should use a CD to clone the system environment, and take measures of automatical backup and virus prevention, so that the system can be automatically recovered when in abnormal conditions. Establishment and perfection of safety purview can ensure perfect safety of the system. To set up technically supporting centers, and remote maintenance system, and to maintain corporations of all regions ever and again according to coverage scope of business in an enterprise. After a certain period of operating, an enterprise should ask relative personnel for systematic assessment according to definite standards, and put forward further direction and measures for improvement.

As a new-born business, online financing has huge space for development. On the part of inner enterprise, online financing will be further integrated with management information system, and become an important component of an enterprise; while on the part of exterior enterprise, the target is to wholly integrate e-commerce. With the tendency that Internet will become part of social life and work, online financial management will become an indispensable mode and system of e-commerce and enterprise management.

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Table 1. Utilization rate of online shopping and its changing situation

Online shopping	December 2007	June 2008	Changing situation within a half year
Utilization rate	22.1%	25.0%	2.9%
scale(ten thousand)	4,641	6,329	1,688

Source: Information center of Chinese Internet

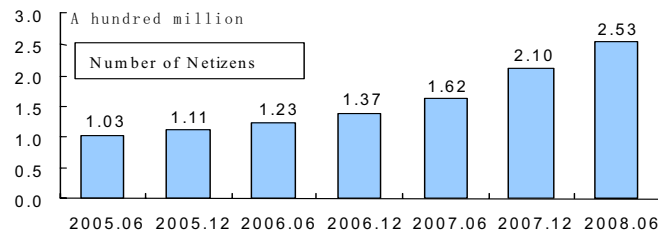


Figure 1. Number increasing situation of Chinese Netizens

Source: Information center of Chinese Internet

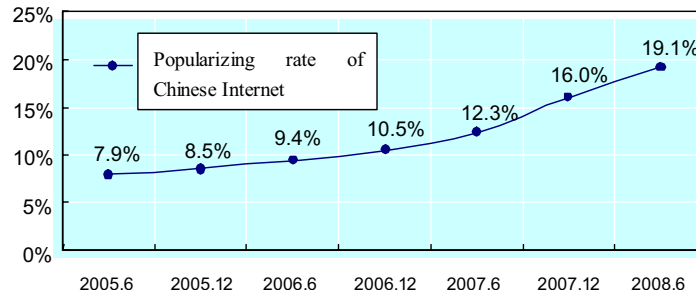


Figure 2. Popularizing rate of Chinese Internet

Source: Information center of Chinese Internet