

The impact of fintech on the financing of small and micro enterprises--Based on the perspective of financial transparency and audit risk

Yating Chen

Faculty of International Educational Cooperation, Tianjin University of Commerce, Huludao, Liaoning, 125000, China

ABSTRACT

This paper explores the impact of fintech in the financing of small and micro enterprises, especially from the perspective of financial transparency and audit risk. Research shows that fintech improves the financial transparency of small and micro enterprises through big data, artificial intelligence and other technical means, reduces audit risks, and thus improves the financing environment. However, fintech also brings new challenges, such as information security and regulatory issues. Through theoretical analysis, this paper puts forward corresponding policy suggestions, in order to provide reference for fintech to better serve the financing of small and micro enterprises.

KEYWORDS

FinTech; Small and micro enterprises; Financing; Financial transparency; Audit risk

1 Introduction

As an important part of the national economy, small and micro enterprises play an important role in economic growth and employment. According to statistics, small and micro enterprises contribute more than 50% of the country's tax revenue and more than 60% of GDP. There are obstacles in the credit evaluation of small and micro enterprises by traditional financial institutions, such as information asymmetry, high risk control costs, and cumbersome credit approval processes. Therefore, it has become a worldwide problem for small and micro enterprises to obtain financing difficulties and high financing costs. The rise of fintech provides new ideas for solving this problem. Based on the perspective of financial transparency and audit risk, this article delves into how fintech can impact the financing environment of small and micro enterprises through these technological means. Finally, the paper will put forward corresponding countermeasures and suggestions, in order to provide reference for research and practice in related fields, and help small and micro enterprises to achieve better development with the help of financial technology.

2 Fintech's changes to traditional financing models

Traditional financing models rely heavily on bank loans. This financing model has a high threshold, and many small and micro enterprises find it difficult to meet the loan conditions. At the same time, the financing products provided by banks are relatively simple, and the review efficiency is low. The emergence of fintech has had a profound impact on the financial industry in many ways.

2.1 Change the financing model

Traditional financial institutions' financing support for small and micro enterprises and individuals is often limited by cumbersome processes and high thresholds, resulting in financing difficulties. Fintech has broken this limitation through technologies such as the internet and mobile payments, providing diversified financing channels. For example, Cheng Jing and Hu Jinlin believe that disintermediation models such as P2P lending platforms and crowdfunding platforms enable the demand side of funds to directly connect with investors and achieve rapid financing^[1].

With the help of big data and artificial intelligence technology, financial institutions can deeply analyze the credit history, business status and capital needs of business owners, and provide more personalized financing solutions. The robo-advisory platform can tailor portfolio recommendations according to the company's risk tolerance and investment objectives to meet the diversified financing needs of the enterprise.

2.2 Improve financing efficiency

While the financing approval process of traditional financial institutions is complex and time-consuming, fintech has promoted the automation and intelligence of traditional financing business processes. In the loan approval process, with the help of big data analysis and artificial intelligence algorithms, the fintech platform can complete credit assessment and risk review in a short time, and realize online application, rapid approval and loan disbursement. For example, some

online lending platforms are able to complete the entire process from application to disbursement in a matter of hours, greatly shortening the financing cycle.

Traditional financial institutions require a lot of manpower and material resources to maintain operations, including building and maintaining physical outlets, hiring employees, etc., and the financing cost remains high, while the use of big data and machine learning technology in fintech can reduce the dependence on physical outlets, which enables fintech platforms to provide borrowers with lower interest rates and handling fees, reduce financing costs, and improve the feasibility and attractiveness of financing^[2]. For example, with the advent of virtual banks, all operations are conducted through online platforms, and operating costs have been greatly reduced.

2.3 Expand financing channels

The innovation of fintech in risk management has injected new vitality into the traditional financing model. Through technologies such as big data analytics and cloud computing, financial institutions are able to more comprehensively and accurately assess the credit profile of borrowers and formulate more refined risk management strategies. For example, the establishment of a credit system and anti-fraud mechanism based on big data can effectively prevent the risk of default, attract more investors to participate, and further promote the development of the financing market.

The application of blockchain technology in cross-border payment can improve the speed and security of transactions and reduce transaction costs. Traditional cross-border payments need to go through multiple intermediaries, which is cumbersome, expensive and time-consuming. Blockchain technology can realize decentralized transactions, reduce intermediate links, and make cross-border payments more efficient and convenient^[3].

2.4 Reduce information asymmetry

Fintech has significantly reduced the degree of information asymmetry between banks and enterprises through technologies such as big data and blockchain. These technologies enable banks to capture and analyze corporate credit data more comprehensively, reducing their reliance on corporate hard information, thereby improving the efficiency of credit resource allocation. By enhancing the information collection and processing capabilities of financial institutions, financial technology improves the information environment of enterprises, reduces the friction in the credit market, and enables enterprises to achieve capital restructuring more quickly.

2.5 Promote financial innovation

Fintech has driven innovation in financial products, such as mobile payments, online banking, and robo-advisors, which have improved the efficiency and convenience of financial services. The development of fintech has also promoted the decentralization and disintermediation of financial markets, making financial services more personalized and customized. In addition, through the application of big data and artificial intelligence, fintech optimizes financial risk management and resource allocation capabilities, and promotes the overall transformation and upgrading of the financial industry.

2.6 Ease financing constraints

Fintech has significantly alleviated the financing constraints of SMEs by reducing information asymmetry and providing diversified financing channels. These technologies have made it easier for companies to access credit support, especially for private companies, which has significantly improved.

2.7 Improve financial regulation

The development of financial technology has also put forward new requirements for financial supervision and promoted the innovation and improvement of regulatory methods. This contributes to a more stable and efficient financial environment.

3 Mechanisms for fintech to enhance the financial transparency of small and micro enterprises

3.1 Application of big data technology

Through big data technology, the financial technology platform can collect and analyze the financial data, business data and credit data of small and micro enterprises in real time to form a comprehensive enterprise portrait. This not only

greatly improves the financial transparency of enterprises, but also helps financial institutions to assess the credit risk of enterprises more accurately. For example, through in-depth analysis of the company's transaction history, tax data and social credit records, a more objective and accurate credit evaluation model can be constructed. Some fintech companies, such as Ant Financial, have successfully used big data to provide credit services to many small and micro enterprises, effectively reducing the non-performing loan ratio^[4].

3.2 Application of blockchain technology

With its unique characteristics such as decentralization and tampering, blockchain technology has significant advantages in ensuring the authenticity and integrity of data. In the financing of small and micro enterprises, blockchain technology can be used to record and verify the financial data of enterprises, prevent the occurrence of data fraud, and further improve financial transparency^[5]. This helps to reduce the problem of information asymmetry in the financing process, so that financial institutions can have more confidence in the financial status of enterprises, so as to provide more preferential and convenient financing services for small and micro enterprises. For example, blockchain platforms such as R3's Corda have made data transparent and immutable in interbank transactions.

3.3 Application of cloud computing technology

Cloud computing technology provides convenient data storage and processing services for small and micro enterprises. Through the cloud platform, enterprises can achieve centralized management and real-time update of financial data, improving the security and accessibility of data. Financial institutions can also use cloud services to obtain and analyze corporate financial information more quickly, further improving the efficiency of credit approval. For example, Amazon Web Services (AWS) has been adopted by many financial institutions to improve data processing and analysis capabilities.

3.4 Application of artificial intelligence technology

AI technology can automatically analyze and identify potential risks and anomalies in the financial data of small and micro enterprises through intelligent algorithms. Through machine learning models, hidden correlations and trends can be found in massive data, improving the accuracy and reliability of financial forecasts^[6]. At the same time, intelligent customer service and intelligent risk control system can optimize the customer service and risk management of financial institutions, and improve the overall financing experience. For example, JD Finance uses AI technology to achieve efficient risk control and customer service optimization.

4 The path of financial technology to reduce the audit risk of small and micro enterprises

4.1 Application of intelligent audit technology

Fintech platforms are able to automate audit procedures through intelligent audit technology, greatly reducing the possibility of human error and fraud. Intelligent audit technology can use machine learning and data analysis technology to quickly identify abnormal transactions and potential risks, and improve audit efficiency and accuracy. For example, a fintech platform used AI algorithms to uncover abnormal patterns in audits that were previously difficult to detect, which not only reduced audit costs, but also shortened audit time, enabling financial institutions to make financing decisions faster^[7].

4.2 Real-time monitoring and risk assessment

Fintech platforms can monitor the financial and operational data of enterprises in real time, discover potential risks in a timely manner, and conduct risk assessment and early warning. This helps financial institutions to take measures in advance, such as adjusting loan terms or increasing guarantee requirements, to reduce audit risk and loan risk. For example, some platforms use big data analytics to track loan usage in real time and effectively predict and prevent defaults^[8]. This real-time monitoring mechanism ensures that financial institutions are always highly sensitive and responsive to the company's risk profile.

4.3 Application of blockchain technology

The immutability of blockchain technology and the characteristics of distributed ledger provide small and micro

enterprises with more transparent financial records and reduce the possibility of fraud and misreporting. Financial institutions can use blockchain technology to verify the authenticity of transactions, thereby reducing audit risk. For example, a bank uses blockchain technology to record the loan process, achieving security and transparency of audit information. In this way, banks are able to monitor the flow of loans in real time and ensure compliance with the use of funds, thus further reducing loan risk. The application of this innovative technology provides new possibilities for financing small and micro enterprises, and also opens up new paths for risk management for financial institutions.

4.4 Cloud computing and data sharing

Cloud computing technology provides financial institutions with a secure and efficient platform for data storage and sharing. Through cloud technology, the data required for audits can be obtained and analyzed in real time, speeding up the audit process and improving the accuracy and timeliness of audits. For example, an accounting firm uses a cloud platform to share data, which shortens audit time and improves service quality. In addition, cloud computing technology also promotes the centralized and standardized management of data, which helps financial institutions to conduct more accurate risk assessments. In terms of data sharing, cloud computing technology enables different departments to access and update information in real time, enhancing collaboration efficiency, and further improving financial transparency and audit efficiency.

5 Challenges and countermeasures brought by financial technology

5.1 Information Security Issues

Fintech platforms face information security issues when collecting and processing large amounts of corporate data. According to a research institute, 30% of businesses experienced a data breach in 2019. In particular, P2P lending platforms may be subject to hacker attacks, and in order to protect the trade secrets and privacy of enterprises, the government needs to strengthen information security management and formulate strict data protection regulations. Relevant departments should establish a sound information security supervision system, strictly supervise and manage the data processing activities of fintech platforms, and ensure the security and confidentiality of enterprise data^[9].

5.2 Regulatory Issues

The development of fintech has also brought new regulatory challenges. Wang Zhengxing believes that the data lag of the traditional financial regulatory system is more obvious^[10], and in order to standardize the operation of fintech platforms and protect the legitimate rights and interests of investors and enterprises, it is necessary to improve relevant laws and regulations and strengthen supervision. Regulators should pay close attention to the development of fintech and introduce corresponding policy measures in a timely manner to deal with new issues and risks that may arise. At the same time, cross-departmental collaboration should also be strengthened to form an effective regulatory synergy. For example, the China Banking and Insurance Regulatory Commission (CBIRC) has issued a series of regulatory documents on fintech, which has effectively improved the standardization of the industry.

5.3 Risk control issues

The efficient lending and low threshold of fintech platforms may also lead to blind financing for some enterprises, increasing the debt pressure and operational risks of enterprises. Therefore, enterprises need to strengthen their own risk management and operation capabilities, and rationally treat the convenience and advantages brought by financial technology. According to statistics, about 40% of small and micro enterprises are in financial distress due to excessive borrowing, which highlights the importance of risk management. Enterprises should establish a sound financial management system, strengthen the use and monitoring of funds, and ensure the effective use of funds and risk control.

6 Conclusions and recommendations

Fintech improves the financing environment, broadens financing channels and reduces financing costs by improving the financial transparency of small and micro enterprises and reducing audit risks. For example, a fintech platform has achieved real-time financial data sharing through blockchain technology, which has reduced loan approval time by 50% and bad debt rate by 20%. However, fintech also brings new challenges such as information security and regulation. In order to better play the role of financial technology in promoting the financing of small and micro enterprises, it is

necessary to strengthen information security management, improve relevant laws and regulations, strengthen supervision, and at the same time, enterprises also need to strengthen their own risk management and operation capabilities. Only through the joint efforts of all parties can we achieve the positive interaction between fintech and the financing of small and micro enterprises, and promote the sustainable and healthy development of the economy.

In the future, with the continuous development of financial technology and the support of policies, the application of financial technology in cross-border financing and inclusive finance has broad prospects. Fintech is driving the digital transformation and intelligent upgrading of cross-border financial services, including the use of technologies such as big data, cloud computing and artificial intelligence to optimize service processes, thereby improving the availability and efficiency of inclusive financial services. The cultivation of new digital financial formats has further promoted the development of inclusive finance. Through the integration of professional technology and financial governance, fintech has stimulated market innovation and realized the intelligence and convenience of financial services. However, we still need to pay attention to risk prevention and mechanism improvement to achieve a positive interaction between fintech and small and micro enterprise financing.

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