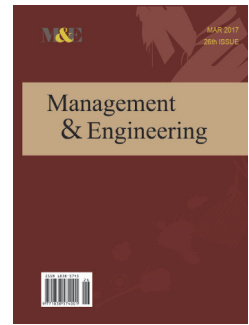




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Prevention and Control of Supply Chain Finance Risk Under the Background of Globalization

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KEYWORDS

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ABSTRACT

Though many enterprises have founded special financial monitoring departments in factual financial management for SCM and correlated regulations and controlling process, to a great extent, they are lacking of comparatively mature financial monitoring systems for SCM. In order to prevent and control the financial risks in global SCM the paper approaches the establishment of rational monitoring system for SCM finance, taking logistics enterprises as representatives, which borrow other tools to process the work piece.

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Introduction

Logistics finance is deployed by logistics enterprises as a new kind of value-added service. The higher administrative stage is just SCM. It is also natural from logistics finance to SCM finance, but in fact it is not smooth at all.

Supply Chain Finance, or SCF for short, is an overall service for multiple-enterprises, both upper and down streams in an industrial supply chain. Its purpose is meant for the core enterprise and upper and down streamed enterprises to stabilize and smooth the sections

of production, supply and sales. Furthermore it builds banks, enterprises and commodity suppliers a co-existing, sustainable-developing and well-interacting industrial eco-system.

SCF has a protruding attribute that it sets out from the entire supply chain supported by TPI.

It injects the capital effectively into weaker medium and small enterprises up and down the supply chain, so as to cope with the difficulties of financing for small and medium-sized enterprises and unbalance in SCM. It also a measure of sales and marketing to smelt financial utilities and logistics enterprises into

medium and small enterprises up and down the supply chain, which strengthens the commercial credit and promotes the foundation of long-term strategic partnership in the core, medium and small enterprises, lifting the competitiveness of a supply chain.

In view of the peculiar position of TPL in global SCF, it is constrained for TPL as core enterprises to establish SCF monitoring system by the interest balance among banks, core manufacturers, distributors and end consumers. Also it is limited by the whole society, economy and law as macro-environment. In deploying global SCF service those TPL entering into international logistics against the complete monitoring course for physical objects may encounter various risks. Therefore they have to set up with co-op banks, core manufacturers and distributors as series of monitoring regulations, methods and controlling measures against the risks. Thus forms a SCF led by banks, TPL self-disciplined and participants monitoring, called "One system integrated with three" .

1 Establishing Bank-led System

1.1 "Game regulation" making system

The bank is "Game regulation" makers in the system of supply chain finance supervision of third party logistics enterprises. Banks need to manage and control the whole process of financial supervision, to ensure that the business trade, logistics, capital entity dynamics and related information are accurate and real-time control. Therefore, in the bank dominated financial supervision system, the third party logistics enterprises, upstream suppliers and downstream distributors (the latter two are combined into a "business") and the third party of the bank signed a cooperation agreement. As the third party logistics enterprise supervision agency bank stand at the center of financial supervision, but the general rules of the game must be in the bank under the leadership of the regulation and supervision of banks, accept entrust, approval and supervision of industrial and commercial enterprises issued

by the goods, warehouse receipts, when the business enterprise warehouse receipts pledge to the bank, bank lending, when industrial and commercial enterprises to repay bank loans after the foreclosure list, to the third party logistics enterprise warehouse receipts issued after the third return of the warehousing goods, logistics enterprises to industrial and commercial enterprises, the formation of the parties to abide by the financial regulatory standards. These criteria include regulatory link is set up, staffing and responsibilities, business process and document flow, financial settlement, risk prevention and control, data exchange and docking system, etc.

1.2 Setting up regulation-administrative system

Banks will become economic relations and obtain benefit in the system of supply chain finance supervision of third party logistics enterprises in cooperation with other parties. Therefore, the bank has to establish a series of supply chain financial supervision and management system, the third party logistics occupies a central position in the bank leading system, banks should be particularly strengthen to the third party logistics enterprise daily inspection system, the performance of the system of rewards and penalties and credit rating system.

2 Establishing Logistics Enterprise Self-Disciplined System

2.1 Administrative regulation system

Under the supervision framework of bank supply chain finance. TPL must establish a regular system of internal management based on the need of the real supervision and risk controlling.

According to the characteristics of the service supply chain of financial supervision, the set of internal management system generally includes supply chain management and the detailed rules for the implementation of the general principles of financial supervision, financial

supervision, financial supervision on-site guidance manual calibration approach, management measures, management of financial regulatory documents of financial regulation performance evaluation methods of supply chain management, monitoring, measures of financial supply chain finance supervision and inspection system, the supply chain finance regulatory settlement management measures, etc. The project of special supervision part must also be combined with customer or the subject matter needs special supervision measures. The purpose ensures that the third party logistics enterprise regulatory activity has a system.

2.2 Operational process system

The third party logistics enterprise must be established supply chain financial regulation system to regulate the operation processing, agreed by all banks, core production enterprises and distributors. In supply chain process with the change of state between logistics parties related to the subject matter of the relationship. Because of the financial supervision and regulation of all the parties of different subject matter diversity and difference, financial supervision and operation process of the third party logistics enterprise in each specific different supply chain financial supervision on the project will not be exactly the same. But from an overall point of view, these processes will include the following two aspects.

The first is based on logistics management of financial supervision of state standard operation process, such as the receipt, storage, delivery of goods, inventory management process, real-time and accurate at any time subject matter logistics status.

The second is around the financial supervision subject of ownership of state management operation process, such as sales of predetermined, financial payment carryover, pledge, start lifting ownership document review process, to ensure that the timely completion of tangible goods supply chain process handover as ownership changes in the regulatory object.

The purpose of establishing the operation process system is to ensure the third party logistics supervision in place.

2.3 Risk-controlling system

The third party logistics enterprises in the process of providing supply chain financial supervision services, must take the risk pre control as the core of Gou Jianyi' s complete set of active and passive combination of "firewall" system.

2.3.1 Setting up administrative system against variance

On the one hand, we need to depend on the level and experience of practitioners. The site management personnel found that the goods were abnormal, or library status different from the past situation, or lost documents or false, according to the experience, immediately to the manager, as regulators to work with banks to immediately freeze the financing enterprise inventory items, and production and operation status of field monitoring on the financing of enterprises. On the other hand, rely on the Internet information platform. By means of modern information management technology, data value is set, once the site inventory quantity or inventory value exceeds the warning line, lock the database automatically, frozen goods warehouse.

2.3.2 Setting up alarming system against emergence

Once the emergency situation happen, such as, the goods shelf life soon, delivery personnel delay delivery; warehouse conditions are not suitable for storage pledged goods; the wrong version of goods; suppliers or other third party to recover the debt; enterprises exist fraud, shoddy; enterprises exist a major accident, can not normally product, immediately notify the third party legal the notary, and inform the bank to stop receiving the letter, the third party logistics enterprises responsible person and warehouse, data and audit department in conjunction with the Bank of expatriate sealed the pledge, and well preparation of evidence and legal process.

2.3.3 Setting up patrolling regulation against financial monitoring

Financial supervision and management personnel to regularly or irregularly patrolling every financial regulation, when necessary the United Bank of expatriates, the third party logistics enterprise audit personnel and human resources personnel constitute joint patrol group, random sampling in different regions of the field of financial supervision, the supervision of regulation and account documents subject matter inventory a state of a comparison. Carrying on the inspection to various regulatory process field in finance aspect.

2.3.4 Setting up controlling system against passive risks

Including the establishment of legal personnel or outside counsel to handle daily related legal affairs, to seek legal preservation on the emergency situation, the purchase of insurance is the effective measures to reduce the risk of loss. Among them, the insurance policy with the premium payment by the insured for the financing of enterprises. The insured is the third party logistics enterprise, the first beneficiary is the bank credit.

The establishment of risk control system, its purpose is to ensure that the parties to reduce supply chain risk to a minimum.

2.4 HR system

In the implementation process of supply chain finance supervision, because the site supervision point provided by the bank over the wide range, even some remote city or area, if the third party logistics enterprises' regulatory point of each site dispatched personnel, often bring great cost pressures (such as accommodation, travel, transportation costs and so on), and the third party logistics enterprise sent site supervision personnel in local adaptation of human social environment may have problems, but having an impact on the effect of implementation of supply chain finance site supervision. In addition to the field of financial supervision personnel' s cultural quality is not high; therefore, the third party

logistics enterprises often rely on the local labor market or labor conduit company solve human resources problems. But in the supply chain financial supervision and management level, the third party logistics enterprises continue to use their own contract employees. So there have formed human resource system model in its recruitment and outsourcing or labor dispatching of human resource system combining the current in the service supply chain financial supervision of third party logistics enterprises.

3 Founding of Partner -controlling System

3.1 Monitoring system against core manufacturers

The core production enterprises through the supply chain finance during the pledge will monitor the material on the Bank of the obtained in advance, and from the corresponding funds withdrawal from circulation, but as long as the object has not yet completed the sale or transfer of ownership, the core production enterprises always have certain rights of supervision on the subject matter, such as the sales logistics status right, right to know of bank permission. Therefore, we must build the core production enterprises supervision system of the third party logistics enterprises in the supply chain of financial supervision.

3.2 Distributor-monitoring system

Dealers play the subject matter role of traders chain finance in the general supply. In the process of the supply chain of financial services, distributors and third party logistics enterprises, supply chain finance site supervision personnel on site long-term contact. They know supervision personnel work attitude, work style clearly, especially in the outsourcing of human resource mode, the touch with the third party logistics enterprises and the site supervision personnel is not sufficient. Therefore, relying on the dealer's supervision, for the prevention of on-site supervision in the process of the problem, it is also very necessary.

3.3 Other partner-supervising system

On the third party logistics enterprise supply plating financial supervision service process, also want to rely on Outsourcing Cooperation supervision units, supervision and information system supplier. In the outsourcing of human resources mode of supervision personnel, the second party logistics enterprise signed labor contracts with the labor outsourcing cooperation unit, labor outs have obligation to execute the right of supervision on the labor service personnel, even when necessary unit have the right to terminate the labor contract relationship. In addition, the software vendors who provide management information system to supply chain finance supervision of the third party logistics enterprise also have an obligation to monitor their software system whether normal operation, data exchange is timely and accurate for monitoring, supervision of supply chain finance supervision service from the angle of software system.

In addition, there is a problem of trying 4PL financial supervision; however, the focus is still on scheme-integration on the basis of TPL.

4 Conclusion

Supply chain finance is the organic integration of the logistics industry and the financial sector, merge into the global supply chain financial services in international logistics, is of great optimistic significance to improve the efficiency of international trade is very important to solve the contradiction, the international division of

labor. The third party, logistics enterprises engaged in international logistics face various risks in participating in supply chain finance service process. How to effectively control the regulation of the subject matter of the logistics status, and control the risk of the bank effectively, the establishment of the dominant, the third party logistics enterprise self-discipline, to participate in the supervision of the "Trinity" of the supply chain finance supervision system is essential. With the rapid development and the practice of supply chain finance worldwide success, international logistics development in the content and form of the supply chain financial services will be more and more.

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