

Analysis on Domestic Factoring Risk Identification Based on Business Processing Technology

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Abstract. Based on the study of basic risk identification method, this paper analyzes domestic factoring risk identification methods and puts forward the basic model based on business process of domestic factoring risk identification, then provides the new ideas for risk identification, the paper lays the foundation to domestic factoring risk evaluation and control system, so it is good to construct a complete, standard domestic factoring risk management system.

Introduction

Domestic factoring in China is in the initial stage, although the domestic factoring has the huge development space, but its system is not perfect, especially domestic factoring business risk management still exists many problems, so we need further develop the domestic factoring business risk management system to ensure the normal development of domestic factoring. Domestic factoring risk identification system is to build on the starting point of the domestic factoring business risk prevention and control system. Especially through the risk management theory knowledge, method and technology, as to in the factoring business activities of the mediator reason business each party faces the type of risk, easy to have risk of business links, risk source and risk degree such serious problems, we have scientific, systematic and comprehensive analysis and discriminant. It is consistent with the risk identification and the general theory,^[1] the core task is to find and understand domestic factoring business risk. Risk identification is the basis of risk management, according to it, we have risk assessment and risk control.^[2] If the risk identification link goes wrong, or has not been recognition, or has the wrong identification, it not only can't make corresponding risk evaluation and control measures, but also may cause greater risk loss.^[3]

Domestic factoring business risk identification is based on general risk identification depending on the basic theory, but at the same time the particularity of factoring itself, and the dynamic complexity of the development stages and the external environment, which makes hard to risk identification of domestic factoring, so this paper has specific analysis on general problems about domestic factoring business risk, risk factors, identification model problems and so on.

The General Method of Domestic Factoring Risk Identification

In the risk management theory, the risk management process has different subjects and risk identification stage is different, so the method the risk identification is also distinguishing.^[4] Usually, the business unit is unable to use a comprehensive and detailed information to identify the risk which business units face, especially for developing business of domestic factoring, both buyers and sellers or factoring party did not accumulate enough material for risk identification. In order to go by the basic principles of risk identification, have comprehensive and scientific identification of risks, on the basis of collecting general material, we can through a series of risk identification method to have the purpose of risk identification.

In general, because the domestic factoring business process is complex, a lot of methods can be used for business involves risk identification, like risk list analysis, risk source analysis and expert investigation, financial statement analysis, flow chart analysis, event tree analysis, environmental scanning analysis, etc. These methods are used in domestic factoring business risk identification, it not only has its own unique advantages, also has some problems. Here is a brief introduction for the several methods.

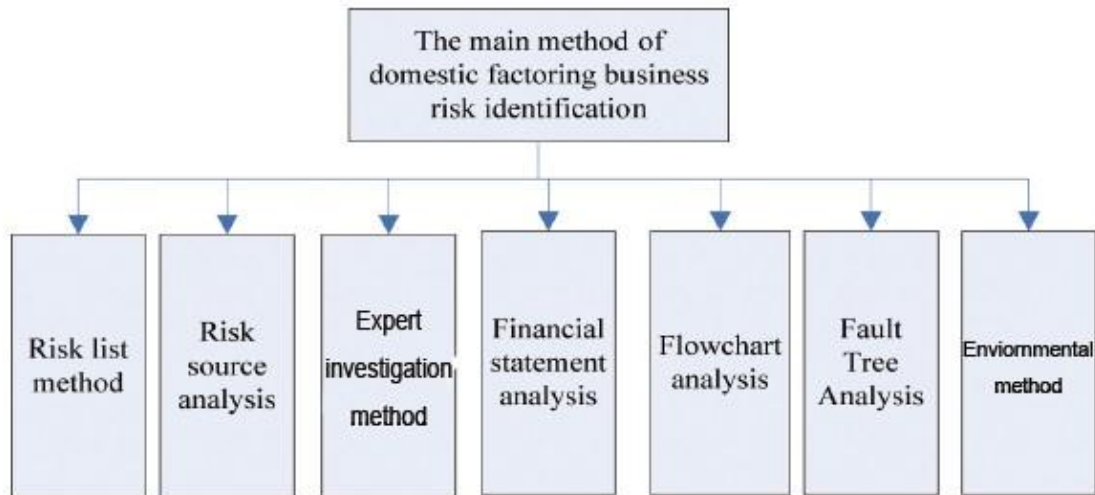


Fig1 The main method of domestic factoring business risk identification

Risk list analysis is the main method in risk identification ^[5]. in order to identify the service subject risk management personnel need to make a list about different types of risk and various possible risk loss, and the list will be combined with the business activities to find that the existing risk factors. In the specific operation and implementation, subject of domestic factoring can be based on risk list to design your own specific risk list and the importance of the risk.

The risk source analysis starts from each module on the domestic factoring business, and find s out existing risk source on the specific business node. Risk source analysis mainly includes basic analysis, preliminary risk analysis, safety check list method, as factoring business does not involve physical production activity, and the safety check list method is not suitable for the domestic factoring business risk recognition.

Using expert investigation method for domestic factoring can ensure the accuracy of the information, and found that some problems we didn't pay attention to, at the same time, it can form the standardized evaluation report. But the method has relatively high cost, the process is also depends on overall ability of the expert team, so if we use it, we need combine with the actual situation of the service subject.

As a comprehensive financial service, each business subject in the business process not only involve a great deal of financial data, but also produce a large number of financial data, so financial statement analysis in domestic factoring business risk recognition has strong objectivity on the business risk identification and the risk measure analysis ^[6], but at the same time it also requires a strong professional operation and the authenticity of the financial data.

Analysis of the domestic factoring business need dynamic nature of the whole principle, however flowchart analysis is a comprehensive risk identification method on analysis of the dynamic potential risk. By drawing a flowchart, you can find a number of business-critical node, and have a comprehensive and systematic analysis, at the same time, according to the flow chart we distinguish the different types that can be revealed.

The fault tree analysis reverse derivation of the risk of occurrence of a prerequisite by means of determining a risk event, and determine the logical relationships between the various factors through various logical symbols, so kinds of system structure in the presence of a variety of associated risk is good to be able to sort out the logical relationship between the various types of risk. If you use it, you need to pay attention to the determination of the probability, in order to ensure the accuracy of the results.

Environmental scan analysis is to understand the changes in the internal and external environment in the course of business through internal and external information gathering of business subjects and their activities, and to provide scientific data and information. Environmental scanning method can not sort the main business risks faced by the order of importance, but it has important logical implications on the overall idea for the confirmation of the domestic factoring business risk.

Different risk identification method has different advantages, however because of the particularity of the domestic factoring business, it can not completely match. Therefore, the domestic factoring business risk identification, it is necessary to make comprehensive use of various risk identification methods, sort out the logic of ideas, build for the domestic factoring business risk identification system and method.

Risk identification model and method based business processing technology

Domestic factoring business is in the initial stage, together with its business involves a lot, internal and external risk sources are complex, many small risk factors is difficult to be uncovered by intuitive, and often disguised in the day-to-day work. So we only through comprehensive analysis on the internal and external environment of the domestic factoring business, we can identify the various risks, build a system of risk types, so as to provide strong support for risk evaluation and control.

If you want to comprehensively identify the risks that exist in the domestic factoring business and build domestic factoring business risk system, you must use scientific methods and tools, through internal and external environment of the domestic factoring business analysis, then can have a comprehensive risk identification. From the introduction of the former one we can have a lot of methods to use for domestic factoring business risk identification, but each method has advantages and disadvantages, just use a method can not be accurately obtain the domestic factoring business risk information. Therefore, this article will take a phased, hierarchical integrated use of several analytical methods to identify the risk of domestic factoring business. Based on this combination we introduce various analytical methods, we have established a domestic factoring business risk identification model (domestic factoring business generally use single factoring mode, so model mode uses single factoring) as shown below:

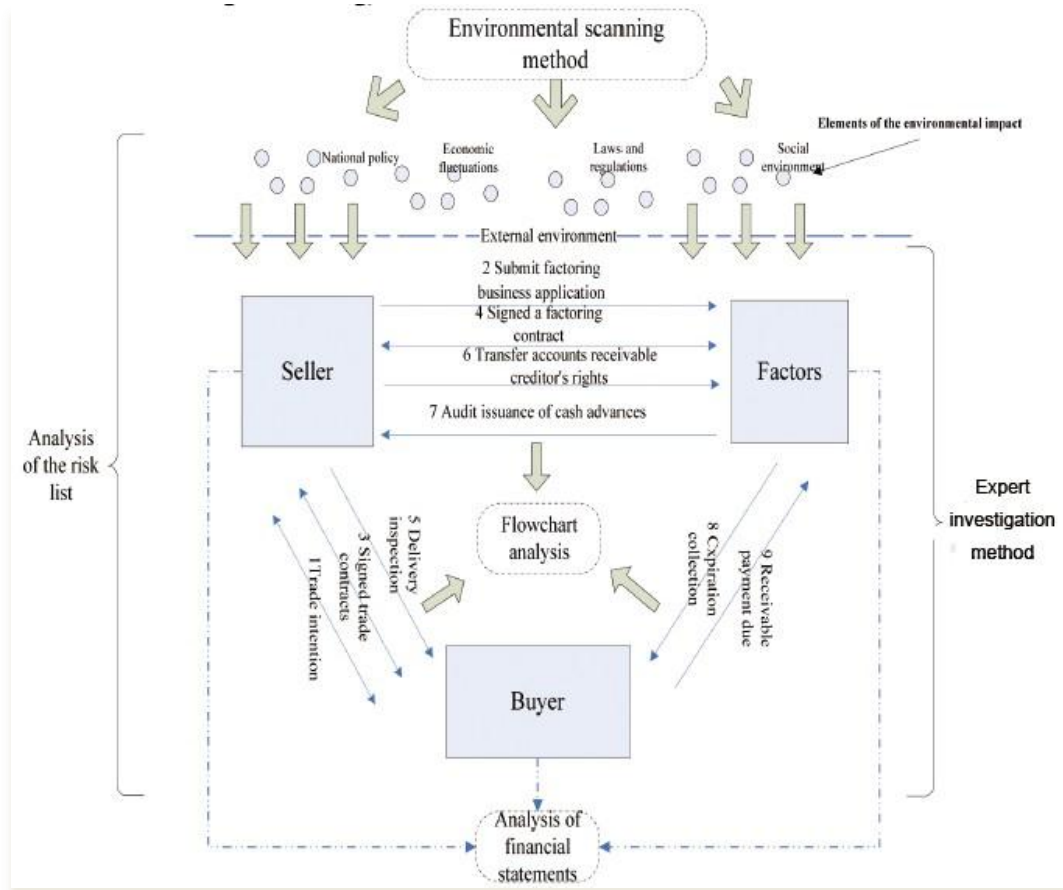


Fig2 Domestic factoring business risk identification model

From the model diagram, the domestic factoring business is divided into two parts, internal and external and then constitute domestic factoring business risk identification model combined with a variety of analytical methods. Specifically, this model can be decomposed into these aspects:

Domestic factoring business with the special nature of the business subject and business processes, but it consists of the most basic companies and the normal operation process, so it is in line with the general corporate law. General theory of enterprise risk management for risk identification can be used in the domestic factoring business. the most widely used methods in the theory of corporate risk identification is risk checklists. During domestic factoring business risk identification, if you single from risk reality to identify risk, some risk often be ignored because there is no clear directional guidance to certain risks, particularly those with latent risk factors, and the risk inventory analysis rules can provide theoretical guidance for the operation of the domestic Poly business risks identified actually makes more comprehensive analysis of the domestic factoring risk which encounter during the risk identification process. At the same time, the risk list includes both internal and external risks in the domestic factoring business, and therefore has a guiding role for the recognition of domestic factoring business.

Domestic factoring business development is closely related to their environment, so we must analyse risk that their environment can cause and find them. As a kind of outgoing nature, environmental relevance strong business, it is very important in the environmental risk recognition, due to close contact internal and external elements, the inevitable result of external risk identification will also provide important help to the internal risk identification.

Through the list of risks analysis can guide the domestic factoring business risk identification, the domestic factoring business of its inherent complexity and particularity during risk identification can not be ignored. Domestic factoring business operation process among the hidden risks must use the actual targeted to be identified. Here, we choose the expert investigation method to recognize some special risk sources of domestic factoring business.

In the domestic factoring business, risk identification focus on subject of the domestic factoring business: the buyer, the seller, Factor, three parts (in the case of double factoring mode, we have four parts), and risk identification about the two aspects of the domestic factoring business processes. We mainly use financial statement analysis for domestic factoring business risk identification. Domestic factoring business is a financial services business, is based on the transfer of the receivables rights. Because the financial situation of the domestic factoring business parties is an important source of risk for the domestic factoring business, financial statement analysis rule is the most direct and effective investigation of the financial situation of the factoring business parties. which can ensure that the parties' factoring business assets whether available, whether to have the ability to complete the factoring business, whether exists fraud, which is an important method to examine both buyers and sellers of credit problems.

Domestic factoring business has formed a set of standardized business processes, every party of the business follows the business processes, which also provides us convenience factors to identify the risks in the domestic factoring business processes. Here, we mainly use the flow chart analysis to identify the risks. Standardize processes domestic factoring business was in line with the basic idea of the flow chart analysis into specific operation, and in the process of the operation, the need to process based on further detailed decomposition, so that domestic factoring business process can be further business decomposition, guarantee the overall recognition analysis.

Summary and Prospect

The domestic factoring business is in a process of development, in many respects, there are still many deficiencies in the special risk management. Combined various types of analytical methods based on the domestic factoring business process model, this paper constructs the risk identification model of the domestic factoring business. In this model, each in analytical methods with a different role to play in the domestic factoring business risk identification, risk identification architecture together constitute the domestic factoring business: from macroscopic to the details of the set, from the external analysis internal risk identification, five analytical methods combined with each other jointly play a role, and analyze the domestic factoring business. From the study, we hope to provide a broader way of thinking to the domestic factoring business risk identification and more in-depth study on the basis of the domestic factoring business risk, and thus improve the domestic factoring business risk theoretical system, and perfect this area of research, make preparation for the final practice of risk management services for the domestic factoring business.

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