Study on the Path of Coordinated Development of the Yangtze River Delta Regional Economy Based on Credit-granting Mechanisms

Yuxuan Liu [1, †, *], Ruihan Ma [2, †], Junzhe Xiong [1]

[1] School of Economics and Management, Beijing Jiaotong University, Weihai, China

[2] Business School, Sun Yat-sen University, Shenzhen, China

† These authors also contributed equally to this work

* Corresponding Author Email: liu2512301134@163.com

Abstract. Since the establishment of the Yangtze River Delta regional economy, a brand-new economic development model has appeared in front of our eyes. With the continuous development of economy and society, the advantages of regional economy gradually appear, but at the same time there are many development problems. Based on the background of the development of the Yangtze River Delta region in recent years, this paper makes an in-depth analysis of a number of chain coffee brands that have developed rapidly in the Yangtze River Delta region, explores the operation mechanism of small and medium-sized coffee shops with franchise and chain system, and points out the dilemma and problems that need to be solved for the further development of small and medium-sized coffee shops. And put forward the corresponding solutions and solutions to all walks of life, so as to realize the vigorous development of the Yangtze River Delta region, and further promote the process of national economic construction and common prosperity.

Keywords: Yangtze River Delta regional development, Credit mechanism, Franchise chain, Small and micro enterprise development.

1. Introduction

In recent years, small and micro enterprises in the Yangtze River Delta have developed rapidly, showing a good trend. This is not only due to the unique geographical location and population flow of the Yangtze River Delta region, but also the support of various policies and the continuous reform and innovation of various social parties. But at the same time, with the gradual saturation of the market, small and micro enterprises want to gain a place in the market, they must continue to develop and sink, and tap the market potential. At present, the fastest and most convenient way to support the business expansion of small and micro enterprises is to adopt chain system [1], so that the product brand can gain a wider influence in a short period of time [2]. In order to help partners obtain more abundant working capital, the credit mechanism needs to be improved [3] so that enterprises can achieve high-quality expansion under the premise of safe development [4].

2. Overview of Economic and Social Development in the Yangtze River Delta Region

The Yangtze River Delta, as the first batch of economic zones to implement the regional development model, has provided tremendous productive forces for China and is an important engine for China's economic and social development since the end of the 20th century. Nowadays, the Yangtze River Delta region has become one of the regions with the most active economic development, the highest degree of openness and the strongest innovation capacity in China, and plays a pivotal strategic position in the overall situation of national modernization and all-round opening up. Promoting the integrated development of the Yangtze River Delta, enhancing the innovation and competitiveness of the Yangtze River Delta region, and improving the degree of economic agglomeration, regional connectivity and policy coordination efficiency are of great significance to leading the country's high-quality development and building a modern economic system. Today, the strategic positioning of the Yangtze River Delta is not only a model area and a leading area, but also a new plateau of reform and opening up in the new era. We need to resolutely get rid of all restrictions and stereotypes. As a result, various new economic forms have emerged, and small and micro enterprises have gained broad space for development.

3. Theoretical Framework of Credit Mechanism

3.1. Definition and Function of Credit Mechanism

3.1.1. Definition of credit granting mechanism

Credit granting refers to the funds directly provided by commercial banks to non-financial institution customers [5], or the guarantees made to customers for compensation and payment responsibilities that may arise in relevant economic activities, including loans, trade financing, bill financing, financial leasing, overdraft, various advances and other on-balance sheet businesses. As well as off-balance sheet business such as bill acceptance, letter of credit issuance, letter of guarantee, standby letter of credit, letter of credit confirmation, bond issuance guarantee, loan guarantee, asset sales with recourse, unused irrevocable loan commitment, etc. In simple terms, credit granting refers to the behavior of banks to provide financial support directly to customers, or to guarantee the credit of customers in relevant economic activities to third parties [6].

3.1.2. Application of credit mechanism in regional coordinated development

Regional coordination mechanism is an important topic in China's economic development at present [7], and credit mechanism undoubtedly plays an important role in this process. Through the implementation of differentiated credit policies, the credit credit system can effectively support and support the infrastructure construction and industrial development in underdeveloped areas, and promote the balance of regional economic development. For example, rural credit cooperatives set up higher credit loans for remote and under-developed areas to stimulate the economic development of these areas. In addition, the credit granting mechanism can stimulate and boost capital flow to future fields such as innovation-driven and technological transformation through preferential interest rates and government guarantees, and promote regional industrial upgrading and economic structure optimization. In recent years, the Chinese government has stimulated the development of the new energy vehicle industry by increasing the credit loan for the owners of new energy vehicles, which has made the sales volume of new energy vehicles in China achieve significant growth from 2012 to 2022.

3.2. Impact of Credit Mechanism on Enterprise Operation

For an enterprise, the credit granting mechanism directly affects its financing ability and operating costs. A reasonable and effective credit mechanism can help enterprises obtain a necessary financial support or cost at a lower cost. For small and medium-sized enterprises, the credit mechanism can effectively solve the financing problems of these enterprises. In 2022, there will be 40 government procurement projects in Xiangtan City and Yuetang District, with a procurement budget of 76,955,800 yuan, a share of 70,879,100 yuan reserved for smes, a reservation ratio of 92.1%, a transaction amount of 670,13,700 yuan for procurement projects, and a procurement contract of 61,489,800 yuan awarded to smes, accounting for 91.76%; There are 133 government procurement projects in Xiangxiang City, with a procurement budget of 164.3179 million yuan, and the winning amount of smes is 15,374.29, accounting for 98.43% of the total. At the same time, we can also predict that a good credit record can help enterprises get more and better credit resources in the future, and escort the sustainable development of enterprises.

In general, through in-depth research on credit mechanism, it can not only improve the efficiency and stability of financial market, but also provide strong support for the coordinated development of regional economy and the healthy operation of enterprises. Therefore, a sound and perfect credit mechanism and system is conducive to the steady growth of economy and the vitality of enterprises.

4. Overview of Coffee Brand Franchise Chain Process and Internal Encouragement Mechanism of Small and Medium-sized Enterprises

4.1. Overview of Common Coffee Brand Franchise Chain Models and Costs

As the most important organizational form and operation mode of an enterprise, franchise chain is a mode to expand its business by authorizing a third party to use its brand, trademark and operating system. In recent years, this new business model has been recognized and developed in our country. At present, China's franchise chain enterprises are mainly gathered in small and medium-sized enterprises, especially in the catering industry. To stand out from the fierce competition in the market, it is necessary to rely on the advantages of the brand to increase the core competitiveness of the enterprise, strengthen the construction of the brand image, and enhance the brand value.

The operator of the brand store needs to deeply recognize and understand the brand concept and culture, after selecting the location of the store, it needs to be reviewed by the headquarters, and the decoration and equipment of the store are unified and customized by the headquarters. After the completion of the layout, the main personnel recruitment and training of the store are responsible for the headquarters, after the successful start of business, the headquarters also need to carry out logistics support and regular inspection training of the store. From the establishment to the opening of a store, the brand headquarters actually controls the production quality and staffing of the store, stipulates the daily production system, and only the subsequent operation process is controlled and adjusted by the operator.

4.1.1. New retail operation partner model

Franchise mode is one of the most common food and catering store establishment modes [8]. After the franchisee pays a certain franchise fee, it can obtain the support of the brand, including training, marketing and supply chain management. The advantage of this model is that the brand can quickly expand the market coverage, while reducing the financial pressure. At present, most of the coffee brands in the market have adopted this model, and they have quickly established multiple stores across the country in a short period of time. However, due to the low autonomy of stores, the fierce competition among brands inevitably leads to the rapid closure of some stores after a flash in the pan, resulting in a large amount of capital loss and waste of resources.

4.1.2. Franchise mode

The new retail operating partner model is a newly evolved chain model. The main operation mode is: the brand side charges a certain amount of deposit to the retail operating partner (hereinafter referred to as the retail person) to ensure the service quality during the agency period. In order to reduce operational risks, the headquarters generally does not charge franchise fees to retailers, but extracts benefits through the way of gross profit deduction, which can not only help the sustainable growth of new stores in the opening process, but also improve the profitability of stores to a certain extent. The main representatives of this kind of brand are Luckin coffee, Kudi coffee and other coffee brands with high recognition and good product reputation in first and second-tier cities. In this chain mode, the stores themselves have a higher autonomy, can carry out their own marketing strategy and product adjustment, to ensure that the stores are more suitable for the environment, with stronger competitiveness.

4.2. Internal Encouragement Mechanism of Small and Medium-sized Enterprises

In order to expand business and attract franchisees, some brands will launch their own incentive mechanism to help franchisees reduce capital or operational burden. These brands are mainly small and medium-sized coffee brands, because the franchise cost of these coffee brands is generally low, franchisees are often individuals as business units, in the application for loans and other financial activities have certain limitations, so the need to rely on enterprises to banks and other institutions to apply for concessions to indirectly support the franchisee in terms of funds. This has become the main reason why small and medium-sized coffee enterprises cannot reduce the price of products, and in today's competitive incentive coffee market, price has become the key to whether the coffee brand can sink the market and seize the unsaturated consumer groups. Therefore, the limitations of the credit mechanism have greatly restricted the further development of small and medium-sized enterprises, and become an institutional problem to be solved urgently.

5. The Current Policy, Situation and Challenges of the Credit Granting Mechanism in the Yangtze River Delta Region

5.1. Current Policy and Situation

5.1.1. Policy support and cost reduction

In the article of Shanghai Municipal Government's "Shanghai Credit Policy Guidelines for 2024", it is clearly pointed out that Shanghai will continue to promote the construction of the "four loans" long-term mechanism in 2024, improve the ability of inclusive financial services, and promote the development and growth of the private economy. At the same time, on March 28, the General Office of the State Financial Supervision and Administration issued the Notice on the work of inclusive credit in 2024 to mention the credit policy to achieve the goal of ensuring the quantity, stable price and excellent structure of inclusive credit, and clearly required the industry financial institutions to enhance the service ability of small and micro enterprise legal persons, increase the first loan and renewal loan, and expand the service coverage. At the same time, according to the characteristics of small and micro enterprises in wholesale and retail, accommodation and catering, cultural tourism, transportation and logistics and other industries, optimize service methods, strengthen the analysis and application of business flow and transaction data, improve the ability to identify and control risks, promote the healthy development of small and micro enterprises, and help promote consumption and expand domestic demand.

5.1.2. Credit granting situation

As coffee shops belong to the catering industry, generally speaking, the cost is not high and they are asset-light, so there is a problem of credit difficulty, that is, they cannot provide suitable asset proof. However, for large enterprises such as coffee shops with international and national chains, such as Starbucks, they enjoy good reputation. Compared with small and micro catering enterprises, it is easier for these enterprises to apply for credit extension in commercial banks, which leads to the difficult survival of small and micro enterprises. At the same time, there is also this problem between chain stores and franchise stores. Because chain stores are official direct stores, and franchise stores are self-employed, there is also a problem that enterprises are easier to grant credit than individuals. In addition, in the post-epidemic era, the country needs to stimulate domestic demand, the need to stimulate domestic consumption, but because the current is in the economic downturn cycle, the general consumer desire and consumption level is reduced, which requires commercial banks to increase the credit line for individuals to stimulate consumption.

5.2. Current Challenges

5.2.1. Accountability issues

According to the Interim Measures for the Administration of Authorization and Credit Granting of Commercial Banks (1996), the authorized person should adjust or even revoke the authorization if the derelict of the authorized person causes major business risks. However, in the context of the current post-epidemic era, the economic development is fraught with difficulties, and the development of small and micro enterprises is also full of obstacles. According to the data report of

Tsinghua Research Institute, without the impact of the epidemic, Among the 54,876 small and micro enterprises still operating in the fourth quarter of 2018 and January of 2019, the survival rate was 93.35%. When affected by the epidemic, the survival rate dropped to only 81.54 percent. Under the impact of COVID-19, the survival rate of small and micro enterprises dropped by 11.81 percentage points. This reflects that many small and micro enterprises are at risk of bankruptcy, and the responsible persons of commercial banks may refuse to extend credit to small and micro enterprises for fear of being held accountable for unrecoverable credit loans, and turn to lower interest rates to lend money to large companies. This is undoubtedly a vicious circle, which not only intensifies the speed of bankruptcy of small and micro enterprises, but also may result in a monopoly situation in which one company dominates.

5.2.2. The pressure of rising costs

1. Price fluctuation of raw materials

Rising cost of food materials: the cost of raw materials accounts for the highest proportion in the cost structure of catering enterprises, especially the price of meat, vegetables, etc., which has brought greater pressure to the operation of catering enterprises.

Market supply and demand relationship: the price of food materials is affected by seasonal factors and market supply and demand relationship, and price fluctuations may lead to the cost instability of catering enterprises.

Transportation and storage costs: Although the development of cold chain logistics helps to guarantee the quality of food, it may also increase the transportation and storage costs of catering enterprises.

2. Increase in labor cost

Employee wage increase: As a labor-intensive industry, the catering industry has the fastest growth rate of human cost, and the rise of employee salary is one of the main reasons leading to the increase of cost.

Difficult to recruit and retain: the catering industry is generally difficult to recruit, the staff turnover rate is high; in order to retain employees, enterprises have to increase wages, further increasing the cost of labor.

Rising social security costs: With the strengthening of social security payment requirements, catering enterprises need to pay a higher proportion of social security expenses for employees, which is also one of the factors of rising human costs.

3. Rent and property cost

Rents continue to rise: Rent and property costs as a percentage of operating income continue to rise, especially in prosperous commercial areas, rental costs remain high.

Rent pressure brought by expansion: some catering enterprises chose to expand against the trend during the epidemic, but with the repeated epidemic, the rent dividend disappeared, and the rent of new stores became a heavy burden.

Fixed cost characteristics: regardless of business conditions, businesses need to pay rent normally, which especially increases the operating pressure of catering enterprises when they encounter force majeure factors.

4. Take-away platform commission

The rising cost of take-out: with the increase of take-out service, the commission of take-out platform has also become a part of the cost of catering enterprises, and the rise of the proportion of commission has directly affected the profits of enterprises.

Intensified competition: In order to get better exposure and sales on the delivery platform, catering companies need to invest more marketing expenses, which is also an aspect of rising costs.

5. Risk of chain expansion

High expansion cost: some food and beverage brands in order to expand rapidly, the high cost of expenditure in the short term, resulting in net profit eroded.

Declining turnover rate: Newly opened stores may face the problem of declining turnover rate, further reducing revenue efficiency and intensifying cost pressure.

6. Consumer consumption concept changes

Reverse consumption characteristics: the younger generation of consumers pay more attention to the real value of products, which requires catering enterprises to provide higher quality products and services, thus increasing the cost.

Diversification of market demand: The diversification of consumer demand requires catering enterprises to constantly innovate and adjust products, which will also bring certain cost pressure.

7. Macroeconomic and policy environment

Economic fluctuations: macroeconomic fluctuations may affect consumers' consumption ability and willingness, thus affecting the income and cost of the catering industry.

Policy regulation: The government's policy regulation of food safety, environmental protection and other aspects may increase the compliance cost of catering enterprises.

6. The Credit Dilemma of Individual Franchise Stores Compared with Chain Stores

6.1. Individual Franchise Stores

Since individual franchise stores open stores in the franchisee's personal name and sell drinks of a certain brand by paying the franchise fee to obtain the relevant formula and brand identity and other rights, individuals can only obtain initial funds in the name of individuals when making credit loans to commercial banks. And according to the Interim Measures for the Management of Internet Loans of Commercial Banks (Draft for Comment) (2020), it is clear that the personal credit limit shall not exceed 200,000 yuan, but it is disclosed in the Luckin Coffee Cooperation Manual (2023) that in the new retail operation partner model, the initial investment needs to be about 180,000 yuan in decoration and 200,000 yuan in production equipment. Quality deposit of about 50,000 yuan (refundable), which means that franchise store owners cannot rely solely on the funds obtained from bank credit loans to open a coffee shop, according to the National Bureau of Statistics in 2024 for the first quarter of resident income and consumer spending in the first quarter, the median per capita disposable income of residents in the country 9462 yuan, an increase of 6.4%, The median is 82.0% of the average. Among them, the median per capita disposable income of urban residents was 12,870 yuan, up by 5.7%, and the median was 84.9% of the average; And the median per capita disposable income of rural residents was 5,243 yuan, an increase of 7.8%, and the median was 79.5% of the average. This shows that the current franchise credit is difficult, the opportunity cost is too high.

6.2. Chain Stores

Compared with individual franchise stores, chain stores can directly obtain the financial support of the parent company, although compared with individual franchise stores, the company can be in the commercial bank credit line is much higher than the individual, but most of these chain stores are opened in the higher rent, the larger flow of people in the city business circle, while the store decoration will be more gorgeous, which undoubtedly increases the cost of opening these stores. However, due to the huge market size of the catering industry, but the industry concentration is extremely low, the proportion of micro-enterprises is extremely high, the operating pressure continues to increase, the cost pressure continues to increase, the industry gross profit continues to decline, the entry barrier is low, the competition is fierce, the elimination rate is high, compared with other industries, the entire catering industry also has the problem of credit difficulties. However, for internationally renowned brands such as Starbucks and other beverage stores, commercial banks are more willing to grant credit to these enterprises due to their strong capital chain and the goodwill they have established over the years, which leads to the lack of sufficient funds for small and micro enterprises to compete with leading enterprises in the market, and even collapse in the industry.

7. Countermeasures and Suggestions

7.1. For the Government

Issue relevant documents to partially or completely exempt the relevant responsible persons of commercial banks to increase the confidence of bank credit granting personnel.

The bottom line of credit granting loans to small and micro enterprises should be clarified for commercial banks every year to ensure that every commercial bank has directed loans to small and micro enterprises every year.

To implement differentiated supervision, the regulatory authorities can implement differentiated supervision policies on the issuance of small and micro enterprise loans by commercial banks, appropriately reduce the risk weight of small and micro enterprise loans, raise the capital adequacy ratio of banks, and encourage banks to increase credit to small and micro enterprises.

To guide the participation of social capital, the government can guide and encourage social capital to participate in the loan business of small and micro enterprises, such as the establishment of small and micro enterprise loan funds, attract social capital investment, and jointly help small and micro enterprises financing.

We will implement a targeted RRR reduction policy for commercial banks to extend loans to small and micro businesses, and lower the cost of capital for banks. At the same time, we will provide discount interest on loans to small and micro businesses to reduce their financing burden.

We should work with all sectors of society to promote the construction of a credit system for small and micro enterprises and improve their credit level. A sound credit database for small and micro enterprises should be established to provide strong support for commercial banks to issue loans.

7.2. For Commercial Banks

Optimize risk assessment: Commercial banks should improve their risk assessment systems and lower the threshold for loans to small and micro enterprises. Technical means such as big data and artificial intelligence can be introduced to improve the accuracy of risk assessment, so as to reduce credit discrimination against small and micro enterprises.

Training for bank practitioners should be strengthened to improve their professional ability in lending business to small and micro enterprises.

Innovative financial products and services should be made in response to the characteristics and needs of small and micro enterprises. For example, developing unsecured, unsecured loan products for small and micro enterprises, or launching loan products that match the development cycle of enterprises.

7.3. For Small and Micro Enterprises

Establish a good credit history, make payments on time, avoid overdue and bad debts, and gradually build a good credit history. A good credit history is an important foundation for obtaining bank credit.

Improve financial statements, provide true, accurate and complete financial statements, including balance sheets, income statements and cash flow statements. This helps the bank assess the financial position of the business and its ability to repay.

Add collateral to provide valuable collateral or guarantees to reduce the bank's perception of risk. This can improve the line of credit and the likelihood of getting a loan.

Strengthen the relationship with the bank, establish a long-term cooperative relationship with the bank, regularly communicate with the bank about the business conditions and capital needs of the company, and enhance the bank's understanding and trust of the company.

Make use of policy support, pay attention to the government's supporting policies for small and micro enterprises, such as tax relief, financial subsidies, special loans, etc., and actively apply for relevant policy support.

Consider non-bank financial institutions, in addition to traditional banks, but also other non-bank financial institutions such as small loan companies, guarantee companies, Internet finance platforms, etc., which may offer more flexible credit granting conditions.

8. Conclusion

Through in-depth research on the credit mechanism of the coordinated social development in the Yangtze River Delta region, this paper reveals the current problems and challenges, especially in the development predicament of small and medium-sized coffee shops under the model of coffee brand franchise chain. The research finds that as one of the most active and innovative regions in China, small and micro enterprises, especially coffee chain brands, play an important role in the regional economy of the Yangtze River Delta. However, individual franchise stores encounter many difficulties in the credit mechanism, such as low credit limit and high financing cost, which limits their expansion ability and market competitiveness. In contrast, the chain stores are in an advantageous position in the market competition because they can directly obtain the financial support of the parent company and the higher credit limit.

In view of these problems, this paper puts forward the corresponding solutions and methods, through the joint efforts of the government, commercial banks and small and micro enterprises, can effectively solve the problems faced by small and medium-sized coffee shops in the Yangtze River Delta region in the credit mechanism, and promote the coordinated development of regional economy and the process of common prosperity. In the future, with the continuous development of regional economy and the continuous improvement of policies, the small and medium-sized coffee shops in the Yangtze River Delta region are expected to usher in broader prospects for development.

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