

# *Research on the Operation Mode of Financing Warehouse with the Participation of the Fourth Party Logistics*

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**Abstract:** Rongtongcang is a new modern innovative service mode of logistics and finance integration. The logistics service involved in its operation mode can be used to supervise the current assets on behalf of banks. Its core is the financial service system, which can provide financing and related multi logistics supporting services for enterprises. At the present stage of development, the operation mode of enterprise financing warehouse is mostly adapted to the third party logistics. With the development of society, the growth of economy and the progress of the times, the problems and contradictions in the operation mode of enterprise financing warehouse with the participation of the third party logistics are gradually emerging. This paper is mainly based on the fourth party logistics to participate in the financing warehouse operation mode to conduct in-depth research, exploration and analysis.

## 1. Introduction

Financing difficulty is always a difficult problem for SMEs in the process of development because they have no fixed assets to be mortgaged. In addition, credit is not very sound. The SMEs that can get financing from banks are less than 20%. Only 10% of the loans issued by banks flow to SMEs. More than 90% of SMEs are slow to develop due to the difficulty of financing. The Chinese government should innovate in expanding the scope of the available mortgage assets of small and medium-sized enterprises, and regard chattel mortgage as an effective way to obtain financing for small and medium-sized enterprises. The service of the warehouse financing which is produced by the combination of modern logistics and modern finance is a new thing born from this thinking. With the use of financing warehouse, logistics enterprises can obtain financing by mortgage their own logistics warehouse receipts and other movable property. In this context, the mode of financing warehouse with the participation of the fourth party logistics has appeared, which meets the needs of logistics enterprises and banks better, and becomes an ideal choice to solve the financing problems of medium and small logistics enterprises, and effectively promotes the development of modern logistics industry in China.

## 2. "Fourth Party Logistics" and "Financing Warehouse"

## 2.1 Fourth Party Logistics

4PL is the extension and development of 3PL, which was first developed in 1998. It was first proposed by American Accenture consulting company. Its appearance, promotion and application make all enterprise logistics planning, consulting, information management system, product service and goods supply chain management activities, including first party logistics, second party logistics and third party logistics, integrate resources to the maximum extent, and finally provide services for upstream enterprises, downstream enterprises and enterprises. Logistics operators provide an integrated logistics system framework, which almost includes the arrangement management and control mode of multi-stop goods distribution, such as finance, insurance, logistics, transportation and so on<sup>[1]</sup>. At present, the more popular third-party logistics only provides a single type of logistics service for the enterprise market economic behavior. Today, the fourth party logistics we focus on is a very complete and systematic integrated logistics information management platform. In this information management platform, the fourth party logistics is not only the designer of the logistics system, but also the capital Source integrators.

## 2.2 Financing Warehouse

In a broad sense, financing warehouse mainly refers to all industries including industrial economy and service industry economy in the development process of modern industrial civilization, such as finance industry, commerce and trade industry, logistics industry, etc., which eventually become a new developed area of modern tertiary industry, that is, a high-level business form of comprehensive tertiary industry with cross industry and cross field development. The process of market behavior, economic behavior and its implementation approach are based on logistics as a starting point, and integrate credit guarantee, e-commerce, Internet platform and other industries for comprehensive development and utilization. Compared with the broad sense of RONGTONG warehouse, the narrow sense of RONGTONG warehouse refers to the enterprise behavior with the surrounding small and medium-sized enterprises as the main service object. In the operation process of this behavior mode, it is based on the mobile commodity warehousing, and covers the comprehensive service platform integrating the credit integration, logistics distribution and e-commerce of small and medium-sized enterprises.

“Rong” in “Rong Tong Cang” mainly refers to finance and financial services, while “Tong” refers to the circulation of materials of enterprises and their suppliers, and “Cang” mainly refers to the warehousing of logistics. Financing warehouse is particularly critical for the development of small and medium-sized enterprises, and even has the status of determining the fate of the survival and development of enterprises in some aspects. As for the main content of enterprise financing warehouse, it mainly involves the fields of logistics service, financial service, intermediary service and risk management service<sup>[2]</sup>. The combination and interaction of the above four services finally forms a modern integrated innovative service operation mode of logistics and finance. The core guiding ideology of “RONGTONG warehouse” is to seek opportunities, seek opportunities and maximize benefits in the integration and complementary relationship of the whole logistics. Its purpose is to realize and improve the quality of customer service, and then comprehensively improve the enterprise's operating efficiency, reduce operating costs, expand service content, optimize resource allocation and enhance the operation of the whole supply chain Competitiveness of the industry.

## 3. Financing Warehouse Operation Mode with the Participation of the Fourth Party Logistics

### 3.1 Operation Mode of General Entrusted Financing Warehouse

The operation mode of general entrusted financing warehouse refers to that in the process of operation, the bank outsources the business that it is not good at. By putting forward relevant requirements for 4PL participating in outsourcing and optimizing and integrating the scheme, the bank can provide more efficient services. In general, outsourcing business mainly includes transportation, warehousing, auction, supervision and risk control<sup>[3]</sup>. On this basis, 4PL optimizes the scheme according to the bank's requirements around the characteristics of the pledge, and helps the bank to fulfill the responsibility of risk control and financing supervision for this part of the subject matter. 4PL plays a vital role in the operation process of general entrusted financing warehouse. Since the enterprises with financing needs put forward financing applications to banks, 4PL has carried out relevant work closely around loan application, pledge evaluation, transfer and information feedback, playing a role of bridge between financing enterprises and banks. The bank will make loans according to the pledge warehouse receipt made by 4PL, and transfer the financing enterprise information after repaying the loan principal and interest to 4PL, which will release the pledge, so as to complete the whole financing process. In addition, the bank will make a decision on whether to carry out the next cooperation according to the cooperation with 4PL.

### **3.2 Operation Mode of Advance Credit**

The operation mode of advance credit financing warehouse means that in the process of cooperation with 4PL, banks will not only outsource some business they are not familiar with and good at to 4PL. In addition, according to the strength of 4PL, a certain range of credit quota will be granted. For banks, the main purpose is to investigate 4PL from the aspects of performance, credit, business scale and current situation. After completing the investigation of 4PL, the bank will sign a credit agreement and an unlimited liability contract with 4PL. In practice, as long as it is within the credit line, the bank will not directly participate in the negotiation. Instead, 4PL will negotiate with the enterprise applying for the loan, and decide the loan scale according to the requirements of the other party and the situation of the pledge. In order to achieve greater benefits, 4PL will allocate tasks according to its own 3PL resources. Get the maximum benefit with optimal allocation.

In the operation mode of advance credit, financing enterprises apply for financing from 4PL who has obtained advance credit from the bank, and provide 4PL with the pledge for financing. After receiving the application, 4PL will issue a task notice to 3PL according to the characteristics of the pledge. 3PL can decide whether to accept the business according to its own situation. If the agreement is reached, the financing enterprise will deliver the pledge to 3PL. The latter will issue the acceptance certificate, and 4PL will issue the pledge warehouse receipt indicating the credit rating of the financing enterprise, and give the corresponding loan line to the financing enterprise, which will be lent by the bank<sup>[4]</sup>. Under this operation mode, the bank will record and assess each business of 4PL, so as to check whether the loan amount proposed by 4PL is appropriate, and then make a decision on whether to cooperate next time. Compared with other operation modes, both the loan amount and the pledge disposal are completed by 4PL alone, which greatly reduces the relevant investigation tasks of the bank and simplifies the procedures. Generally speaking, if 4PL wants to obtain advance credit from banks, it must not only be very professional, but also have corresponding guarantee.

### **3.3 The Operation Mode of Joint Commission Financing**

The operation mode of Joint Commission financing warehouse refers to that in the traditional financing warehouse business, logistics enterprises should not only undertake the task of monitoring the pledge, but also undertake the obligation of guaranteeing the management of the pledge. Once the pledge is damaged, logistics enterprises will suffer a huge blow. Therefore, logistics enterprises

and banks form an alliance to ensure the quality and safety of the pledge. Of course, for banks and logistics enterprises, the former mainly focuses on the preservation and appreciation of the value of the pledge and the ease of realization from the perspective of risk control. The latter mainly focuses on the security of the pledge from the perspective of business development. In the operation mode of joint entrusted financing warehouse, the financing enterprises apply to the banks for loans and provide the relevant information of the pledge. After 3PL accepts the relevant business, the financing enterprise will hand over the pledge to 3PL. 3PL will complete the evaluation and issue the evaluation report to 4PL. 4PL will return the information to the bank. At this point, the bank will issue the corresponding amount of loans according to the pledge, evaluation report, the operation status of the financing enterprise and the importance of the pledge to the enterprise<sup>[5]</sup>. In this operation mode, the bank loan amount fully considers the importance of the pledge to the financing enterprise: the more important the pledge is, the higher the financing enterprise attaches importance to the pledge. The less likely the enterprise is to have moral hazard. The lower the bank loan risk is, the higher the amount of loan is willing to lend. There is no doubt that this mode of operation is equivalent to the banks and financing enterprises paying attention to the pledge and forming a formal alliance around the pledge.

### **3.4 The Operation Mode of Joint Financing Warehouse between Banks and Logistics Enterprises**

Similar to the operation mode of Joint Commission financing warehouse, under the operation mode of joint financing warehouse. The relationship between banks and logistics enterprises is a cooperative relationship rather than a traditional agency relationship. Due to the higher requirements of banks in China, it is more difficult for logistics enterprises to merge banks than banks to merge logistics. Therefore, in practice, either financial institutions merge logistics enterprises to achieve a win-win situation between banking business and logistics business, or logistics enterprises and banks jointly set up new financial service institutions to carry out warehouse financing business. In this mode of operation, in addition to the loan business, the new financial services company basically undertakes the integrated business of logistics and management. Compared with other operation modes, the operation mode of joint financing warehouse can not only carry out pledge credit business, but also carry out one-stop service such as settlement consultation. Its operation cost is much lower<sup>[6]</sup>. The operation process of joint financing warehouse is more concise and efficient. Because the financing service institutions have undertaken most of the business. Many procedures are issued by themselves, which greatly saves the processing time. Financing enterprises can obtain loans much faster. It is particularly worth mentioning that, because logistics enterprises and banks are in a joint relationship, both banks and logistics enterprises have strengthened their risk control ability. The problem of logistics financing difficulty can be solved with the help of bank funds. At the same time, the advantages of logistics enterprises with strong professional ability can be effectively brought into play.

## **4. Conclusion**

Financing warehouse business has the effect of “killing many birds with one stone”. Reasonable development of financing warehouse business can not only improve the credit structure of banks, solve the contradiction of banks' reluctance to lend, but also alleviate the financing difficulties of small and medium-sized enterprises, and promote the rapid development of small and medium-sized enterprises in China. Moreover, it can make the logistics enterprises obtain more and more stable customer sources, improve the utilization efficiency of the warehouse and increase the value-added income, so as to promote the rapid development of China's logistics industry. Therefore,

it is of great practical significance to improve the theory and mode of financing warehouse business.

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