



Youxin Financial Customer Stories

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2019





Youxin Financial

Founded in 2010, Youxin Financial is a leading fintech company in China. Combining proprietary data with deep domain knowledge, leading technology capability, and commitment to excellence, we provide financial technology services spanning small business finance, consumer credit, and wealth management.

Youxin Financial facilitates loans for small business owners, freelancers, and wage earners through both online and offline channels. While our customers are mainly concentrated in first- and second- tier cities, we are also able to reach customers in smaller cities and rural areas through our easy-to-use mobile phone apps, providing credit access to more long tail customers.

Building on the insight that for micro and small businesses, the business owner is often the business' most important asset, and in many cases, the assets, liabilities and cash flows of the business are not segregated from that of its owner, Youxin Financial developed advanced credit models that focus on the business owner's personal credit data which are more standardized and scalable compared to the business' operating and financial data, which are

often missing or inaccurate. Combining latest AI and big data technology with optimized system design ensures that credit evaluations and approvals are performed within seconds. In this way, we are able to serve more micro and small businesses while still keeping risks under control.

While we are a technology-driven company, we also believe that face-to-face interactions are important, both as a way to develop deeper relationships with our customers, and also as a means to collecting more "soft data" that complement our credit risk models. We have built a nation-wide branch network consisting of more than 200 branches, located in 1st and 2nd tier cities, to offer in-person service to micro and small business customers. With our unique omni-channel strategy, we enjoy both the agility of a technology company and the service-oriented culture of a community bank.

Youxin Financial strives to provide better personal financial services to customers around the world. The company is committed to using financial technology to provide innovative and efficient financing solutions for micro and small businesses across China and contribute to the development of the real economy.

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What is the Best Fintech Model to Solve Micro and Small Businesses' Financing Challenges?

Author: Jackson Cheung, CEO and co-founder of Youxin Financial

For fintech companies, data-oriented risk management mechanism is of great importance. It screens personal credit to evaluate the risk level of micro and small businesses. The strength of this model is that it analyzes the business operations based on the understanding of the industry. Each specific sector has its unique organization and production methods. Indicators such as cost and profit differ across industries. Comparatively, personal credit has clearer standards. With standard data support, businesses can use fintech means to borrow at lower financing cost.

■ [Main Reasons Behind Financing Difficulty]

The latest FinTech Development Plan (2019-2021) issued by China's central bank states that fintech is a new opportunity for the development of inclusive finance. We should

use fintech to provide precise support and solve the problem of financing difficulty and high cost for micro and small businesses. Previously, the central bank and China Insurance Regulatory Commission stressed the importance of solving the financing problems for micro and small companies.

At the Lujiazui Forum in 2018, Yi Gang, the central bank Governor, said all parties should work together to level up business financial services. Guo Shuqing, Chairman of the China Insurance Regulatory Commission, also stressed that the most important role of finance is to serve the real economy, and we need to make more effort to solve the problem of financing difficulties of micro and small companies.

Micro and small businesses play an important role in economic development. In the United States, Germany, and Japan, they contribute to up to 50% of the economic growth and up to 60% of the employment. In China, there are currently more than 73 million registered small businesses and sole proprietors accounting for more than 80% of the total number of enterprises in China and contributing more than 60% of GDP. Moreover, this number does not include the non-registered even smaller businesses, which we call “micro” businesses. The booming Internet has given birth to a large number of online businesses and WeChat enterprises, many of which are micro businesses. Yet only 17.3% of these businesses have access to loans. A huge amount of capital needs are not met.

The followings are the major types of capital needs of micro and small businesses in China: One, for decoration and business expansion. For example, you have one store this year and want to open another one next year, and require RMB200,000 investment. You have 100,000 and need to borrow the other 100,000.

Second, for regular turnover. Micro and small businesses purchase and deliver goods most frequently and need to make advance payments on a regular basis, so they have capital needs.

Third, for emergency use. For example, securing a big production order, buying raw material or equipment at a short notice, etc.

all require money.

Most micro and small businesses do not have professional and systematic cash flow management as big companies. The owners tend to manage their cash flow themselves, and they may run into capital shortage problems due to mismanagement.

In the past, micro and small businesses went to traditional financial institutions and private lending. Banks constitute the majority of traditional financial institutions. In recent years, the central government support has made financing to micro and small companies easier. The 2019 Government Work Report delivered to the two sessions states that this year, loans by State-owned commercial banks to micro and small companies shall increase by more than 30%. According to central bank data, in the first quarter of this year, micro and small businesses' inclusive loans rose by RMB552.9 billion, an increase of RMB290 billion year-on-year; the balance growth rate at the end of March was 19.1%, a rise of 3.9 percentage points from the end of the previous year and 5.4 percentage points higher than the growth rate of all loans.

However, traditional financial institutions such as banks still face the following five major challenges in financing micro and small businesses:

1. The management system, organizational structure and cost structure of the bank are geared toward serving big institutions and companies, and their staff members' skills also serve this purpose. While for micro and small businesses, the single loan amount is small, loans are needed frequently and the industry is highly dispersed. Therefore, serving micro and small businesses requires vastly different management capabilities and skills than serving big enterprises. From a business perspective, banks are less willing to serve micro and small businesses;

2. Low capital cost means banks prefer low

risk. It is a known fact globally that micro and small businesses have a low survival rate. As per statistics, less than 10% of micro and small businesses survive more than three years. Due to their higher risks compared to more mature larger companies, traditional financial institutions tend to be more cautious when providing financing services to micro and small businesses;

3. Mortgage guarantees are the core requirements for bank loans. However, it's difficult for micro and small businesses to provide collateral that meets banks' requirements;

4. Banks' retail finance services are mainly geared toward credit cards users and consumption. Banks are making efforts to develop fintech and retail finance, but we can see from their interest rate structure and products that their target is consumer. They mainly serve white-collar workers by issuing credit cards or consumer credit loans attached to credit cards. The credit line is often too low to support the higher capital demand of micro and small businesses;

5. Banks take a long time to approve loans, while micro and small businesses often need capital fast. Banks and other financial institutions are relatively conservative when it comes to lending money, which means it can take weeks from application to approval to issuing loans. Micro and small companies have a limited scale, and their needs for capital are often urgent. In many cases, how fast they can get a loan determines their survival.

Other than banks, micro and small entrepreneurs also reach out to private lending institutions for capital. However, with private lending, if there is no collateral such as property, the interest is very high. The monthly interest rate is usually 4%-5%, and can go up to 10%. Besides, due to lack of professional credit management system and standardized business process, the possibility

of micro and small companies obtaining credit from private lending is low when it's urgently needed.

In short, when micro and small businesses have external financing demand, efficiency, credit line and cost are their core concerns. Therefore, while financing difficulties faced by micro and small businesses are mentioned repeatedly in policies, no solution that can solve this problem systematically and at the scale required has been found. To solve this issue, we urgently need innovation at all levels.

■ [Domestic Fintech Break-throughs]

According to China's central bank, customers with an individual credit line of less than RMB10 million are micro and small businesses. This group can be further divided into three subgroups: the first is of customers with an individual credit line of RMB1 million to RMB10 million. Currently this subgroup is a priority for banks, and housing mortgage is the main means of risk management for banks. The second subgroup is clients with an individual credit line of RMB200,000 to RMB1 million. Presently this subgroup mainly uses the German IPC Credit Officer Management mechanism. The third is micro and small entrepreneurs and individual businesses with an individual credit line of less than RMB200,000.

Innovation should address credit line first. Micro and small companies have different levels of capital demand at different stages of development, and there should be platforms that serve them at each stage.

Micro and small businesses in their initial stage of development, with a financing scale of RMB10,000-200,000, are often run by individuals, such as stores operated by couples. Bank service can rarely reach them. Serving companies in this credit line range has long been the biggest challenge. But now

fintech companies are becoming capable of providing better services for these customers.

In the RMB200,000 to RMB1 million range, Germany's IPC credit model was introduced into China 10 years ago and has become the main model for many banks and private commercial credit institutions. The core of the IPC model is its heavy reliance on back office staff members to check the operation of companies at all levels. Because of the high labor cost and the possible moral hazard, the IPC model has a total assets ceiling to keep risks manageable, and cannot be scaled in a sustainable manner.

Micro and small businesses in the RMB1 million-10 million range already have a certain scale. At this level, capital, not owners, is driving production. The companies may have core factories upstream and downstream, so they can use pledge of accounts receivable, or they have a good operational flow as well as qualified collateral (real estate asset), so they can get business loans from banks. Companies in this range are the target group that the central bank wants banks to provide loan support to at present. As mentioned above, the core breakthrough of fintech companies in solving micro and small business financing problem lies in meeting their small loan demand of less than RMB200,000 for business use. In this credit line range, there is still much room for improvement.

■ [Why RMB200,000?]

Why fintech can be a new financing solution for micro and small businesses in the < RMB200,000 RMB?

First, micro and small businesses in the initial stage or those run by the owners themselves or by families have a limited scale. Their demand of capital for renovation and expansion or for seasonal and emergency capital turnover is not big. Nearly 80% of Youxin Financial loans are for operating

capital turnover, with an average borrowing amount of RMB80,000.

Micro and small businesses usually rely on their own funds. Supplementary credit is not their only solution for actual capital needs. The Provisional Measures for the Management of Business Activities of Internet Lending Information Intermediaries stipulates that the balance of a single platform shall not exceed RMB200,000. This shows that the regulatory body wants fintech to focus on micro-credit needs of micro and small companies, thus complementing traditional financial institutions.

Second, business sustainability of credit risk. When the financing scale of a micro or small businesses is less than RMB200,000, that means it is mainly relying on its own hard work, with individual labor, rather than capital, as the main factor of production. As mentioned earlier, the survival rate of micro and small businesses is very low. When their liabilities are between RMB10,000-200,000, even if they fail, the liabilities would still be bearable.

To put it simply, if you borrow RMB100,000 to do a business but fail, as an individual, you can just go to work somewhere and pay off the debt with your salary. But if you borrow millions of Renminbi, as an individual, you would not be able to bear the consequence, and the risk of default would rise sharply.

Third, business affordability of funding cost. Because of the difference of risk pricing, the capital cost of fintech companies is higher than that of banks. This also shows that this fintech model is more suitable for serving the micro-credit needs of micro and small businesses. This model is different from that of traditional financial institutions for large-scale financing.

On the one hand, micro and small companies lack financial capacity and need to face many uncertainties in their operation.

Fintech businesses offer average capital and a relatively long repayment cycle, which “forces” them to use their capital judiciously. Also since RMB200,000 is relatively not a huge amount, the monthly repayment plan is manageable. Youxin Financial has also found that only few micro and small businesses choose early repayment, most of them prefer long-term and stable repayment plans.

On the other hand, although the cost is slightly higher than that of banks, compared with the private loan providers, previously the only choice other than banks, the loan cost of fintech platforms is much lower, and the services are more standardized and professional. Lower costs charged by fintech platforms and higher capital availability have improved the survival rate of micro and small businesses, thereby further helping employment and promoting the development of the real economy.

■ [Personal Credit or Corporate Credit?]

In addition to the RMB200,000 credit line, which is of special value for micro and small businesses’ financing needs, the data-driven risk management system is also an important factor. The key is to evaluate the risks of micro and small businesses by screening the owners’ individual credit risks, that is, to define the individual owners rather than the business entity as the borrowers. Many think that micro and small companies are a high-risk group as their success rate is very low, 90% of them shut down within the first three years.

But we need to note that micro and small business’ owners are different from micro and small companies. The majority of owners are not high risk. They may even have a very good personal credit record and a stable history of bank loans or credit cards. Therefore, evaluating personal credit in micro business credit is of greater value than corporate credit.

On the other hand, in China, micro and small businesses and their owners are always connected, so their business cash flow is their personal or household cash flow. For micro businesses, evaluating an individual owner is almost equivalent to evaluating his or her business. Therefore, one of the biggest differences between the service of fintech companies and other financing modes is the evaluation of owners’ personal credit rather than corporate credit.

The advantage of this model is that the analysis of business operation is based on the study of the industry. Each specific sector has a unique way of operation and production. Indicators including cost and profit do not have common standards. Whereas personal credit has more mature standards, and more standard data can support the fintech platforms to scale the business. Business at scale is a feature of fintech. This feature gives fintech companies an edge over others, as fintech companies can generate greater data, thus further reducing financing costs.

Fintech companies did not invent the method of evaluating personal credit to solve micro and small businesses’ funding problem. This method was introduced long ago. But due to lack of solid data in the past, there was not enough personal credit data or other personal data to support this method in practice. With the rapid popularization of mobile Internet in China, a huge amount of personal consumption data, social data and behavioral data began to be generated and collected. Meanwhile, the rapid development of mobile finance further enriched and enhanced the personal financial data pool.

China’s high mobile Internet and Internet payment penetration rate gives China the best personal data pool in the world. With users’ permission, fintech companies can use this data to train online anti-fraud and credit auditing models, so as to improve online risk control efficiency and thus enhance financing efficiency. Banks used to spend weeks on a

loan approval; now with fintech one hour is enough. The development of mobile Internet and the accumulation of data in China have indeed enhanced services for micro and small businesses. This is also the first time in the world that fintech is being used to transfer funds for micro and small businesses' running and production through owners.

■ [Micro and Small Business Financing and Positive Externalities]

China's micro and small business owners work hard. They have inherited the best of Chinese traditions: they believe hard work brings success. They believe diligence is the path to wealth. They want to have a successful career through their own efforts, to have a better life and realize their China dream.

They are the most active and resilient part of the society and economy. Solving their financing needs is essential for the vitality of economy. For these companies, capital is not the only key factor that determines their success or failure, how hard they work is as important, if not more. Even if their current business fails, they will find ways to try something else and continue to work hard for success.

Therefore, when serving this group, fintech companies should not only consider business sustainability, but also take full account of their social role and compliance of the services. Because financial services have externalities, their value is often larger than just profits. Take payday loan as an example. Supported by technology, risks are covered through super high interest rates. However, such high interest rates drag customers and their families into deeper debt, which negatively impacts society.

In recent years, fintech companies and traditional financial institutions have deepened their cooperation. Fintech companies are providing customers, services and technological capabilities to traditional financial institutions to help them better serve micro and small enterprises' financing requirements.

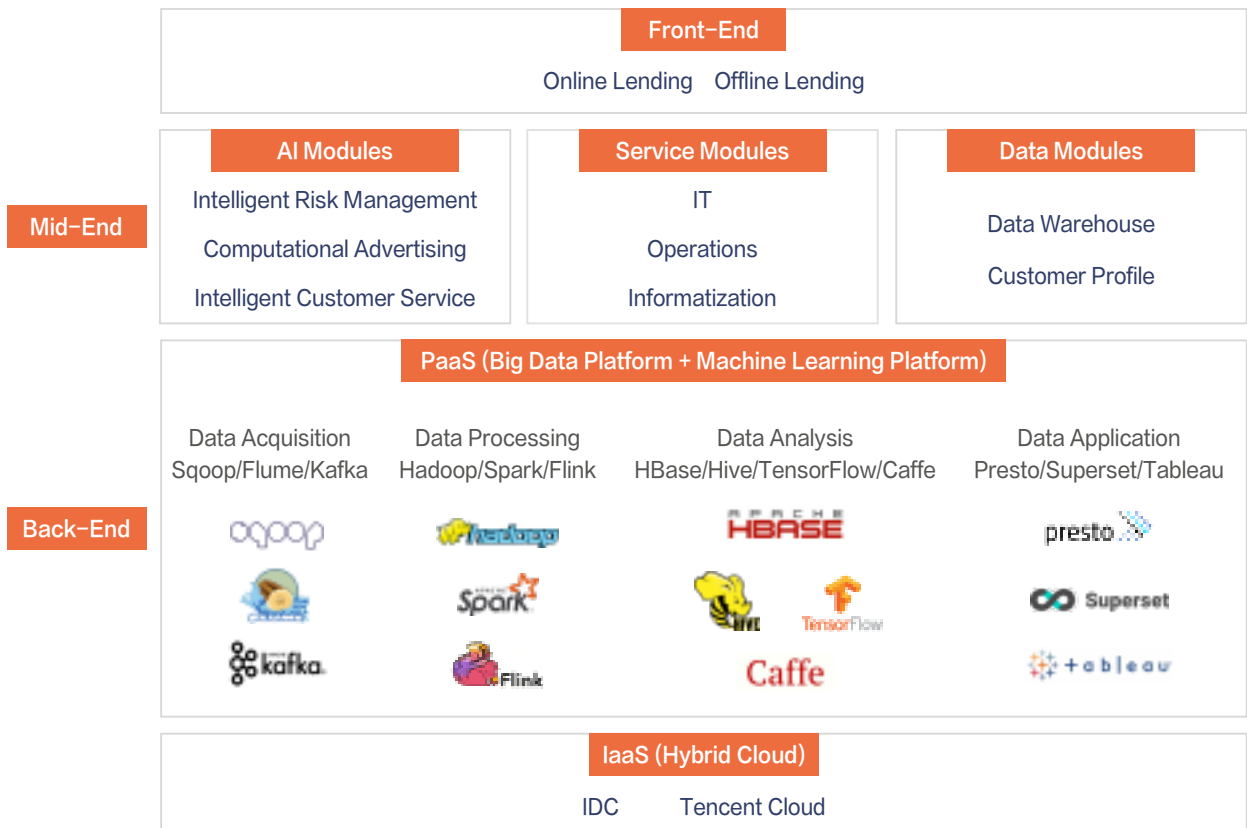
Of course, in China's unique digital inclusive environment, both fintech companies and traditional financial institutions should, through practice and innovation and data application, make effort to meet the capital needs as such collaboration adds value to society and supports the development of real economy with a compliant business model. ✓

Data- and AI-Driven Customer Service Technology System

Youxin Financial has a unique omni-channel service delivery model which allows the company to reach customers both through localized branches as well as through the Internet more broadly.

Unlike traditional financial institutions, it's the powerful fintech capabilities of the company that support the services for micro and small businesses. Youxin Financial's main fintech framework is as follows: (Chart 1)

Chart 1: Lean Front-End, Large Mid-End, Strong Back-End; Jointly serve micro business customers



1. PaaS + IaaS is the underlying back-end. PaaS builds a leading general middleware and big data platform in response to the rapid business development. It enhances the business R&D efficiency, diversifies data sources, realizes real-time data collection and processing, achieves intelligence of data analysis and data application. IaaS, on the other hand, uses the most advanced hybrid cloud technology, which can meet the requirements of fintech for system stability, security and cost optimization. The fintech infrastructure it constructs has an even higher data reliability and service availability than traditional financial institutions.

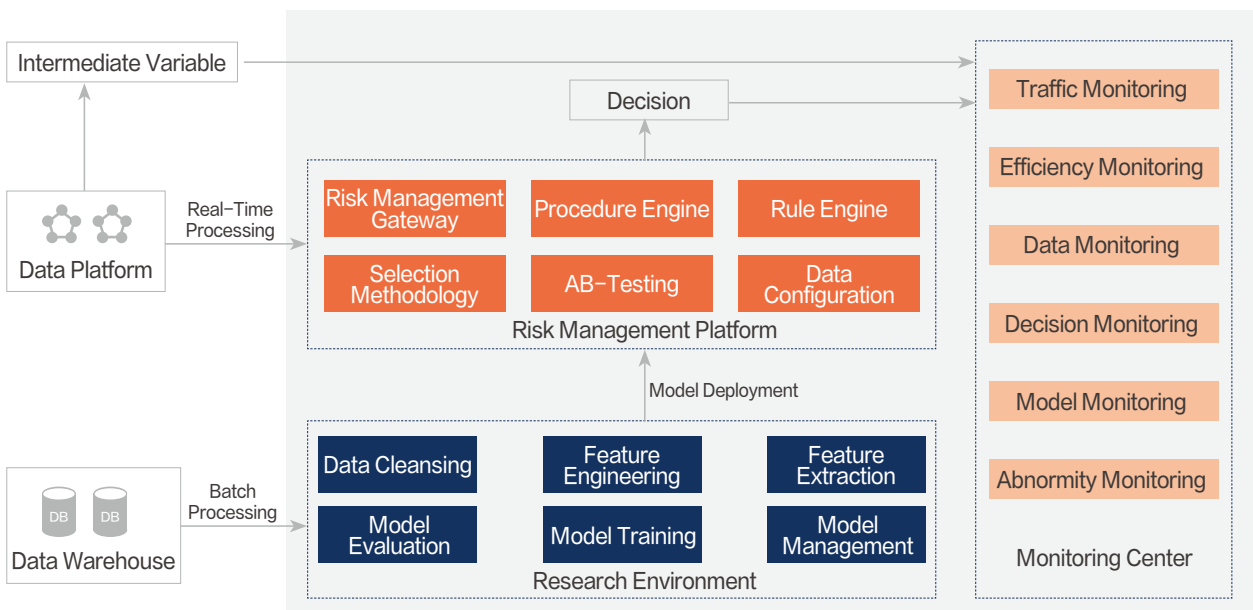
2. An AI module, data module and service module based on stable and efficient data processing and analysis capabilities together form the mid-end.

AI module is the most important part in the micro and small businesses' service process. It includes the intelligent risk management

platform independently developed by Youxin Financial. The platform is responsible for the deployment of and real-time response to online credit loan audit in different business scenarios, including providing capital to micro and small companies, consumer finance and so on. With its millions of model variables, hundreds of risk management models, more than 2,000 determining factors, and more than 100 strategy iterations per month, the platform is able to trace and evaluate customers' risk assessment, repayment ability, repayment willingness and other behaviors in real time. At the same time, its high throughput and low latency technology features can provide online approval within seconds, and guarantee the daily processing capacity of more than one million orders while supporting more than 100 different business processes simultaneously running on the platform. (Chart 2)

Machine learning is one of the key capabilities in the risk management strategy deployed

Chart 2: AI Module: Intelligent Risk Management Platform

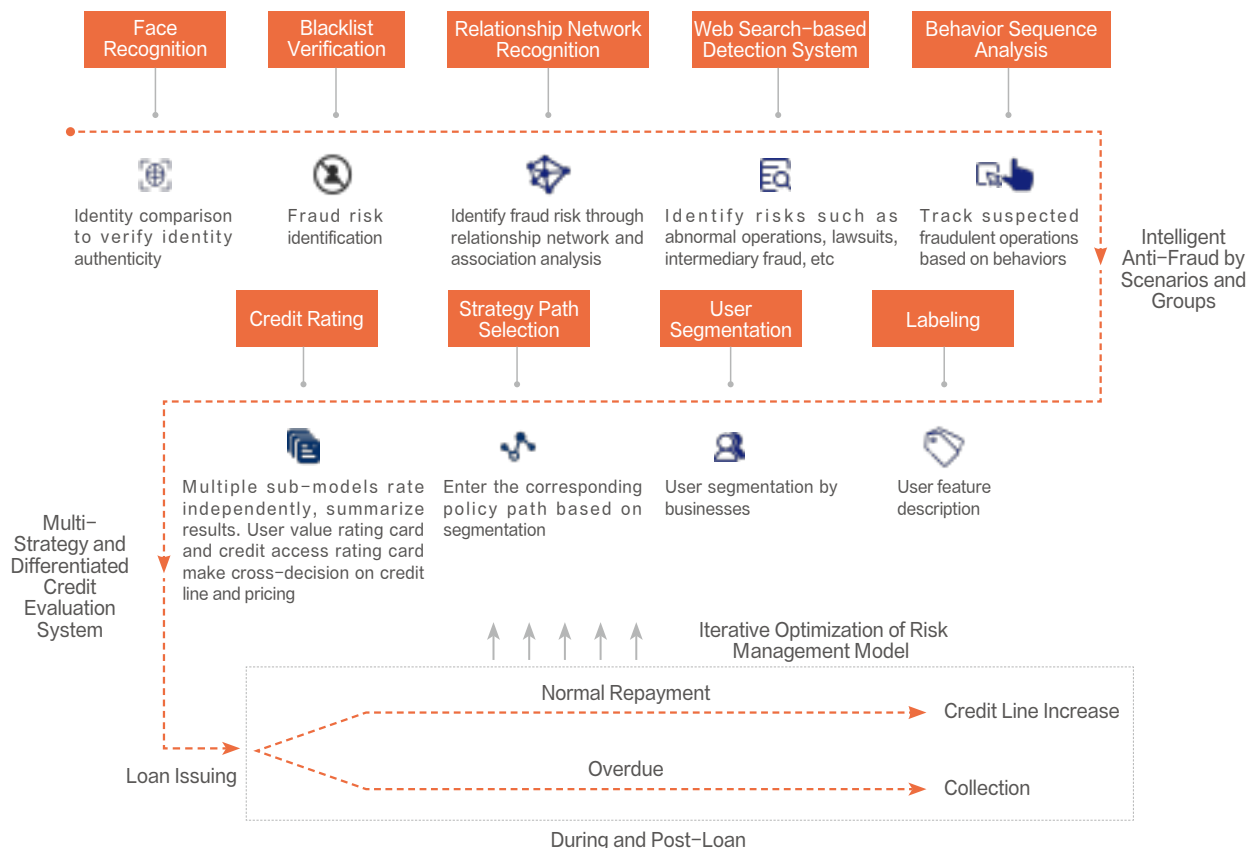


by the intelligent risk management platform. Many popular and advanced machine learning algorithms are used, including random forest, Bayesian classification, neural network, reinforcement learning, SVM, XGBoost and so on. On the basis of the large amount of customer data that the company has accumulated since its establishment in 2010 and the growing third-party data, the company supports the continuous iteration of anti-fraud and credit models and has realized 100% automatic credit decision-making. In particular, user relationship network data has grown exponentially, from 900 million nodes and 800 million connections in June 2018 to 1.25 billion nodes and 6.01 billion connections in a year, and the network is evolving in

complexity. The cluster characteristics and behavior patterns of fraudulent groups can be more accurately identified.

The Intelligent mid-end seamlessly connects with the Data mid-end in the process of screening micro and small businesses' customers. With the powerful system capabilities backed by the underlying technology, the data platform provides real-time data collection and processing, which enables complete near-real-time processing of key data in seconds; the data warehouse provides accurate data support for each front LOB to carry out batch processing of massive data. Real-time processing and batch processing respectively correspond

Chart 3: Intelligent Risk Management Process Before, During and After Loan Approval



to the real-life production environment and strategic research environment of customer risk. Through the Intelligent mid-end, new strategies generated by feature engineering and model training in the research environment are deployed in the production environment real-time. And assisted by the built-in A/B test infrastructure, new strategies can be efficiently tested and iterated, improving the overall customer risk detection ability. (Chart 3)

3. Front-end backed by powerful data and Intelligent mid-end.

The front-end handling loan requirements of micro and small business customers fully uses the efficient intelligent algorithm provided by the Intelligent mid-end and the

data advantages supported by the data mid-end, to group customer according to the KYC (Know Your Customer) of different business types, and choose corresponding strategies for each group. Quantitative rating is based on the cross-automatic decision-making of multiple sub-models. For micro and small business owners, the front-end will also introduce macro variables of national economy and the customer's industry. Meanwhile, it cooperates with third-party data sources to automatically and intelligently screen enterprise information, personal data of customers, etc. Currently, nearly 100 macroeconomic variables are in application, which greatly enhances service ability for micro and small businesses to withstand economic fluctuations. ✓



Analysis of Youxin Financial's Customer Profile

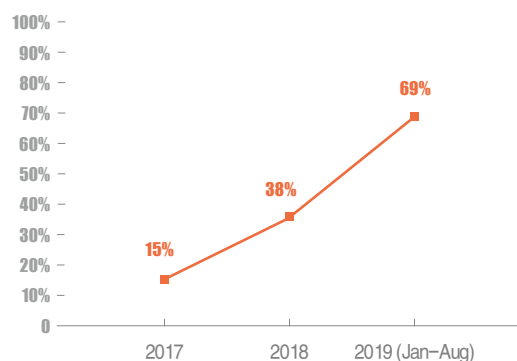
Yi Gang, the Governor of China's central bank, disclosed a set of data at the symposium on financial services of private businesses and micro and small businesses held in 2018: the average lifespan of micro and small enterprises in China is about three years, and about one-third of them continue to operate three years after registering their business. For micro and small companies, the average time from their establishment to their first loan is four years and four months, which means they have to survive the life-or-death period before they can get the first loan.

The capital demand of micro and small companies is short term, small, frequent and urgent. In the traditional service model, this customer group is deemed to have a high failure rate, non-standard financial management and lack of collateral, all of which makes risk management more difficult and costly, damping traditional financial institutions' willingness to serve micro and small businesses.

In recent years, besides the traditional financial system, the emerging fintech platforms such as Youxin Financial have taken steps to explore and solve the financing difficulties of micro and small businesses through data accumulation and technological iteration. Empowered by technology, these fintech platforms are helping traditional financial institutions better serve micro and small businesses. These companies are mostly clustered in first- and second-tier cities, although they are spreading across the country. They are engaged in various business sectors, and are making tremendous contributions to the social and economic dynamism and employment.

① Youxin Financial defines customers as micro and small businesses if they state one of the following activities as reasons for applying for loan. For online loans: Startup funds/business turnover, etc. For offline loans: Capital turnover/expansion/purchasing (operation)/ purchasing (investment)/ project advancement/ payment of wages/ investment operations, etc.

Chart 1: Trends in the proportion of online borrowers over the past three years



Basic Characteristics of Youxin Financial's Customers

By the end of 2018, Youxin Financial has served 970,000 customers, of which nearly 700,000 are micro and small business owners. Youxin Financial's online business is growing rapidly, outpacing offline business in proportion and becoming the main service model. By August 2019, the proportion of online borrowers has risen from 15% in 2017 to nearly 70%. (Chart 1)

In terms of geographical distribution, Guangdong, Jiangsu, Zhejiang and other southeastern coastal provinces are the areas with the strongest demand for business loans. These provinces have mature economy, sound business environment, entrepreneurial atmosphere and a large migration population, all of which are conducive to the development of micro and small businesses. (Chart 2)

By the end of 2018, Guangdong, Jiangsu, Zhejiang, Fujian and Shandong were the top five provinces in the number of online borrowers, accounting for 39% of the total; Guangdong, Zhejiang, Jiangsu, Fujian and Shandong were the top five provinces in the amount of loans, accounting for 41%. (Chart 3)

Guangdong, Jiangsu, Shandong, Chongqing and Hubei were the top five provinces in the number of offline micro and small business borrowers, accounting for 46% of the total; Guangdong, Jiangsu, Shandong, Chongqing and Hubei were the top five in the amount of offline loans, accounting for 46%. (Chart 4)

In terms of age distribution, by the end of 2018, 53% of the online borrowers were born after 1980, while those born after 1990 took the second spot with 30%. In terms of loan amount, 55% of the total amount of loans went to the post-80s borrowers and 26% to post-90s. (Chart 5, 6)

Among the offline borrowers, 47% were post-80s, followed by 28% for post-70s. Among the total amount of loans, 47% went to post-80s and 30% to post-70s. (Chart 7, 8)

The difference in age distribution between online and offline models is due to their different patterns. The online model relies on the Internet, which suits customers that are younger and more used to online operations. The offline model relies on the outlets and networks across the country, which is more suitable for customers who are older and need higher loan amounts.

The majority of micro and small business borrowers are post-80s and post-70s, while the number of post-90s is growing. These three age groups are the main loan customers.

In terms of gender distribution, Youxin Financial has more male customers, while female customers are growing. With access to finance, these female entrepreneurs can have equal opportunities with men in career

Chart 2: Geographical Distribution of Youxin Financial Loan Customers

(As of December 31, 2018)



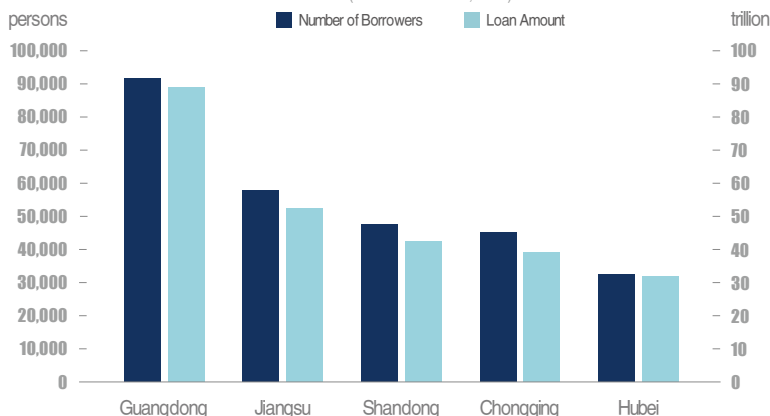
Chart 3: Main Provinces of Online Borrowers

(As of December 31, 2018)



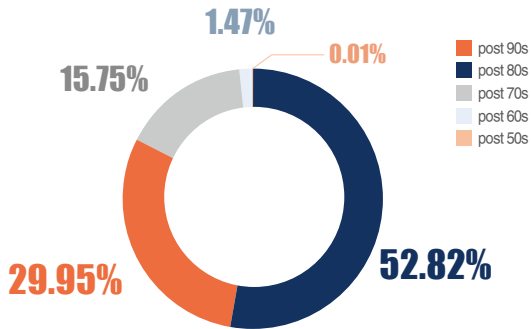
Chart 4: Main Provinces of Offline Borrowers

(As of December 31, 2018)



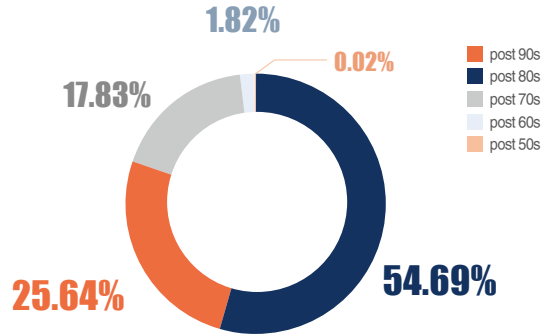
**Chart 5: Age Distribution of Online Borrowers
(Number of Borrowers)**

(As of December 31, 2018)



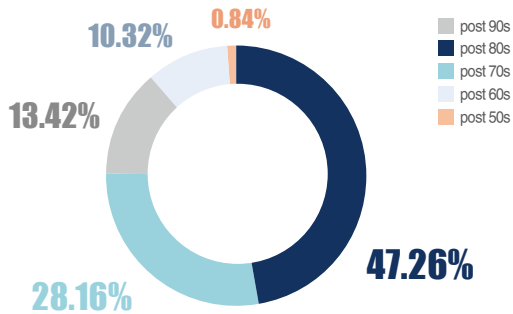
**Chart 6: Age Distribution of Online Borrowers
(Loan Amount)**

(As of December 31, 2018)



**Chart 7: Age Distribution of Offline Borrowers
(Number of Borrowers)**

(As of December 31, 2018)



**Chart 8: Age Distribution of Offline Borrowers
(Loan Amount)**

(As of December 31, 2018)

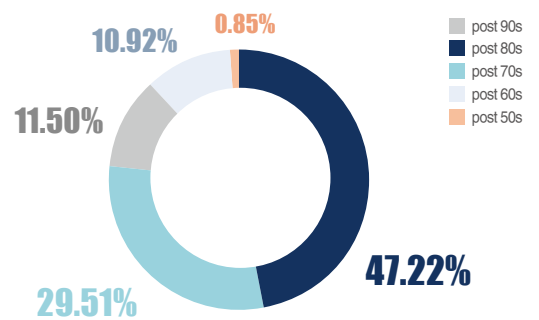


Chart 9: Gender Distribution of Online Borrowers

(As of December 31, 2018)

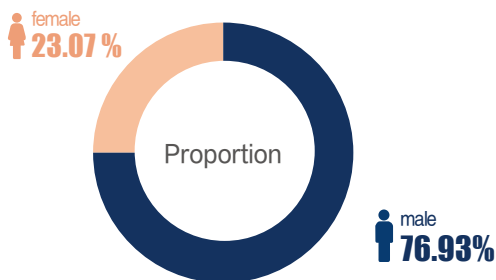


Chart 10: Gender Distribution of Offline Borrowers

(As of December 31, 2018)

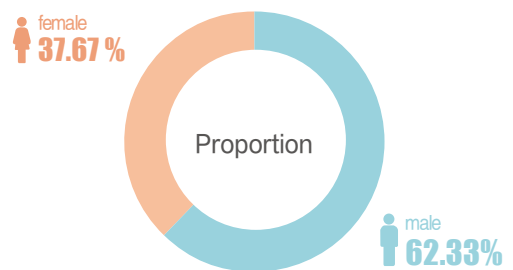


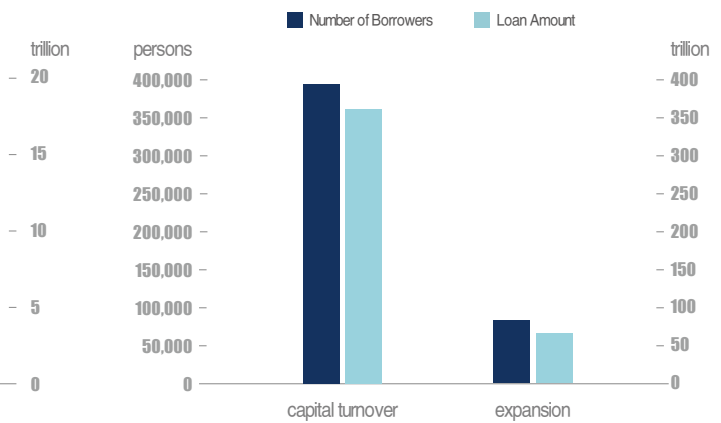
Chart 11: Main Uses of Online Loans

(As of December 31, 2018)



Chart 12: Main Uses of Offline Loans

(As of December 31, 2018)



development.

Among the online borrowers, male accounted for 77% and women 23%; among the offline borrowers, male had a 62% share and female 38%. (Chart 9, 10)

Breakup of Characteristics of Customers

In terms of the use of the loans, 57% of the online micro and small business owners use the capital for business turnover, accounting for 57% of the total loan amount; 15% of the owners borrow online for startup funds, taking up 14% of the total loan amount. (Chart 11)

Among the offline loans, 63% of borrowers use the money for business turnover, accounting for 63% of the total loan amount; 13% customers use the capital to expand their businesses, taking up 12% of the total amount. (Chart 12)

In terms of the industries of borrowing customers, most online borrower are in retail, wholesale, manufacturing, catering, etc. In particular, the number of borrowers

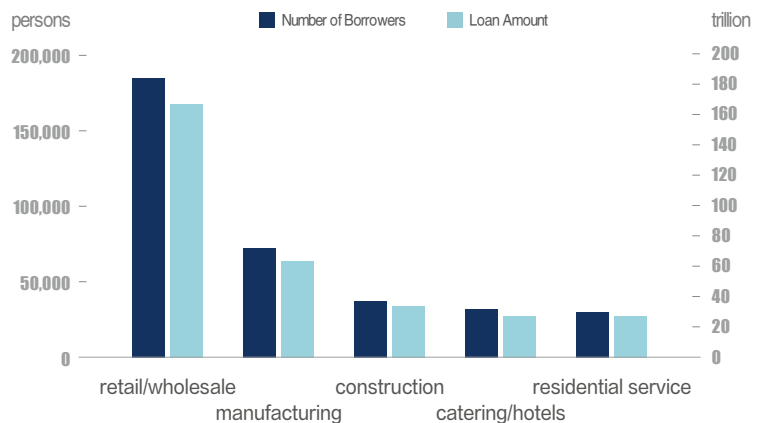
Chart 13: Industries of Online Borrowers

(As of December 31, 2018)



Chart 14: Industries of Offline Borrowers

(As of December 31, 2018)



and the amount they borrow in retail and wholesale industry are high, accounting for 10% (number of borrowers) and 11% (loan amount), respectively. Similarly, among the offline borrowers, the retail and wholesale industry also have the highest proportion in the number of borrower and loan amount, 30% and 29%, respectively. (Chart 13, 14)

In terms of loan amount, more than 70% of the online loans is less than RMB50,000.

The majority of the loans (52%) are between RMB20,000 to RMB50,000. (Chart 15)

Offline, through the outlets and network system throughout the country, services such as customer on-boarding, pre-lending consultation, application guidance, loan facilitation and servicing can be conducted face-to-face with the owners. This raises the average offline credit line above that of online, which meets the higher capital

Chart 15: Distribution of Online Loan Amount

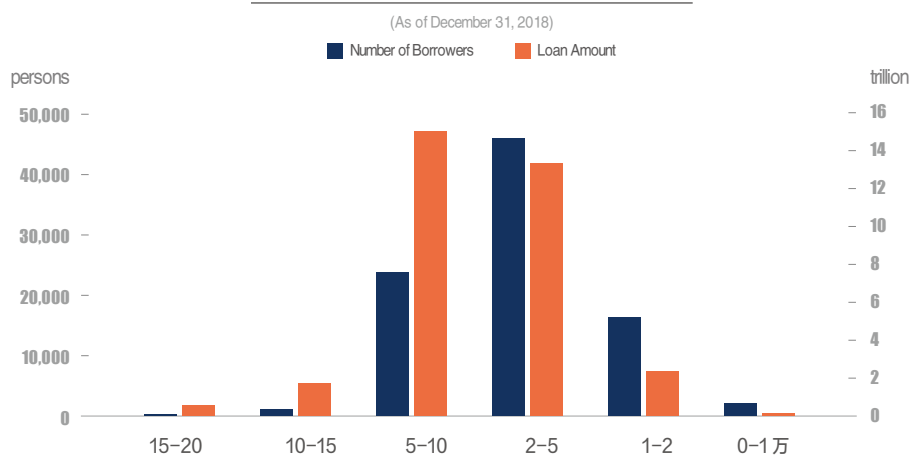
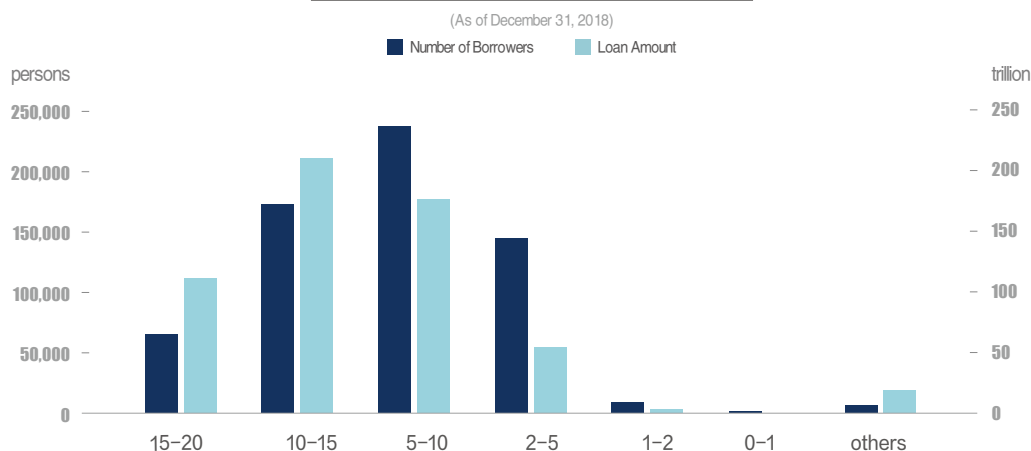


Chart 16: Distribution of Offline Loan Amount



demand of offline customers. Among offline borrowers, customers taking RMB500,000-100,000 account for the highest proportion (37%), followed by RMB100,000-150,000 borrowers (27%). (Chart 16)

When comparing the per capita borrowing amount of micro and small business customers in different age groups, both online and offline share the common characteristic: the older the age group, the larger the per capita borrowing amount. For example, for online loans, the per capita loan amount of post-60s was RMB47,273, while that of post-90s was RMB32,591; for offline loans, the per capita loan amount of post-60s was RMB99,415, while that of post-90s was RMB80,605. As the owners get older, their income level and the personal credit become more stable, which help them get higher credit line. (Chart 17, 18)

In terms of loan period, different credit lines show the following characteristics: By the end of 2018, the term of all loans online was within three years, of which 25 -36 months of borrowing customers accounted for the highest proportion of loans, reaching 49%; the number of borrowers with a term of less than 12 months took up the biggest proportion of 42%. (Chart 19)

The term of offline loans was mainly 25 to 36 months, accounting for 88% of the total number of borrowers and 92% of the total loan amount. At the Fourth Global Financial Science and Technology Summit in 2019, Mr. Cheung, CEO of Youxin Financial, said that in China, the success of micro and small businesses mainly depends on the labor of the business owners. In a relatively small loan range, because most micro and small businesses do not have professional financial management capabilities, and have to face many uncertainties in their businesses, few of them choose early repayment, while most prefer longer-term repayment. For example, they may borrow RMB100,000 and repay in 36 installments, with a monthly repayment

Chart 17: Distribution of Loan Amount Per Capita of Online Borrowers in Different Age Groups

(As of December 31, 2018)

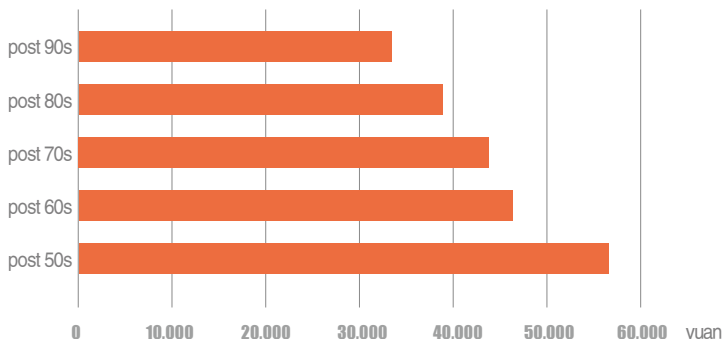


Chart 18: Distribution of Loan Amount Per Capita of Offline Borrowers in Different Age Groups

(As of December 31, 2018)

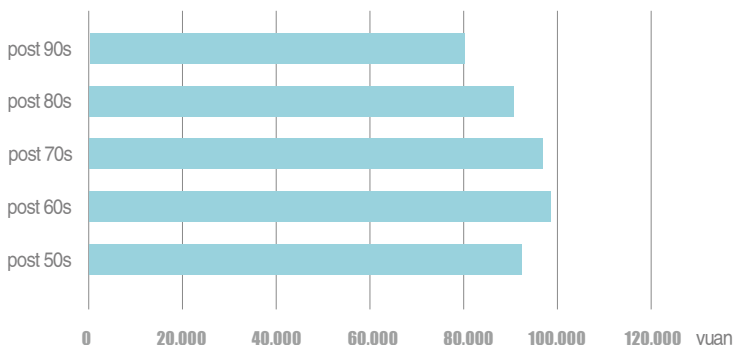


Chart 19: Distribution of the Term of Borrowing of Online Loans

(As of December 31, 2018)

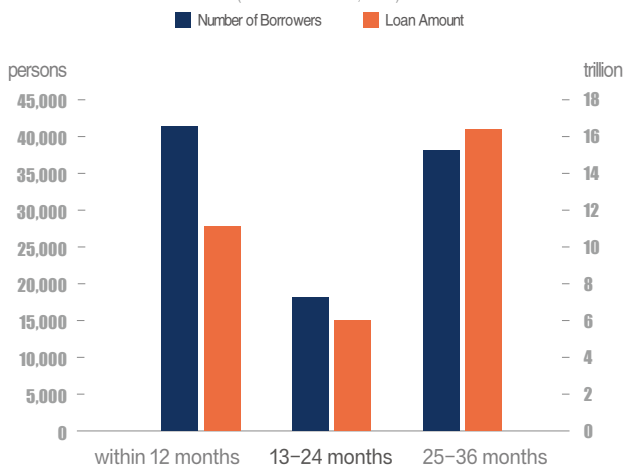
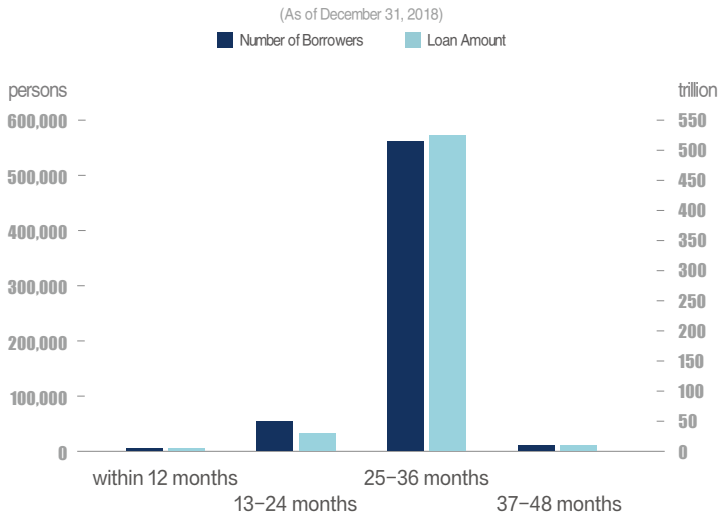


Chart 20: Distribution of the Term of Borrowing of Offline Loans



amount of about RMB3,000-4,000. The monthly repayment is affordable. Even if the business fails, the owners can find a job to pay back the loan with their salaries. So the loan amount is still manageable. (Chart 20) ✓







"Micro" Business Owners

There are more than 73 million registered privately owned micro and small businesses in China, accounting for over 80 percent of Chinese enterprises and contributing over 60 percent to China's GDP. This figure, however, does not include an even bigger number of unregistered privately owned even smaller businesses.

The People's Bank of China, the country's central bank, defines those who run business with a credit limit of less than RMB10 million as micro and small business owners. However, countless micro and small businesses report an annual profit of just over RMB100,000 to hundreds of thousands of Renminbi. Their business is very small and is managed by one person or is family-run. But they are active everywhere, from operating brick-and-mortar stores in first-tier cities or in the most remote villages to running online shops on e-commerce platforms and social media websites. With a yearly profit of less than RMB1 million, their business serves as the cornerstone of maintaining family stability, and they expect to make their small enterprise a success. However, these owners often face capital shortage of around RMB100,000 when the business sentiment becomes different due to changes in the industry landscape and the national economy. When this happens, they are trapped in a dilemma as their credit card limit is not enough and they are not qualified to borrow from banks.

We prefer to call this large group of entrepreneurs "micro" business owners since they do not meet the high criteria set by the central bank for micro and small businesses. In spite of their size, these businesses contribute a significant share to the national economy and play an important role in boosting employment and economic growth.

Guo Dongzhen, a young man in Guangzhou, runs a grocery stall at a farmers' market. His monthly turnover is around RMB20,000-RMB30,000. To expand his business, he wanted to rent a new stall to sell other items, but he was financially strapped. Without a consistent turnover record, he found it almost impossible to get a bank loan; and he was reluctant to borrow from his relatives or friends as he did not want to owe them a debt of gratitude. To realize his business plan, Guo Dongzhen took an unsecured loan of RMB50,000 from Youxin Financial. He spent RMB20,000 of it on replenishing his stock and the rest on renting a new stall.

Jin Feng, who runs a seafood business in Qingdao, urgently needed money to buy fish seeds. He approached a bank with the plan to mortgage his property in his hometown, but was told the whole process was time-consuming. Jin Feng borrowed RMB50,000 from Youxin Financial on the very day he filed an application, helping him to make up his fund shortage.

Youxin Financial has many other "micro" business owners like Guo Dongzhen and Jin Feng as customers. They are making great efforts to realize the value of their business.



Name: Jin Feng

Age: 32

Loan Amount: RMB50,000

City: Qingdao

Term: 36 installments

Industry: Aquatic products

Purpose: Purchasing fish seeds

01. Youxin Financial comes to seafood stand owner's rescue

On an autumn day in Qingdao, Jin Feng, a young owner of a seafood store, is still in summer clothes: Short-sleeve shirt, shorts and flip-flops. He enters the refrigerated storage area where the temperature is set at -40°C wearing the same clothes. His store is located at Lige Town in Jiaozhou of Qingdao, where many seafood wholesale stores of different sizes have sprung up in recent years inspired

by a news report that a local couple running a wholesale business of seafood moved to a new house and bought new cars in less than two years.

Jin Feng also admires the couple. As a native of Jiaozhou, he returned to his hometown with his then-girlfriend (now wife) in 2015 after working as a migrant worker. He wanted



Purchasing products directly from fishermen is most cost-effective

to set up a business, get married and have a child.

Since it's just over 10 minutes' drive from Lige Town to the coastline, it provides a natural advantage for the development of fishery. A relative suggested Jin Feng to start seafood business. Jin Feng launched the business with the money he had saved.

With a small budget, the initial business was only a stand because Jin Feng did not rent a fixed booth owing to the high cost. The seafood wholesale market requires the merchants renting a fixed booth to pay an annual rent of RMB60,000 in lump sum and a deposit of RMB5,000.

To get a lucrative spot in the market, Jin Feng arrived at the seafood market before

3:00 a.m. and slept in his minibus. "Initially it was very hard. I left home at midnight and drove my old minibus to purchase seafood from middlemen," Jin Feng said. He gradually diversified his product offerings from shrimps and clams to sole fish, sea cucumber and octopus, among others. This grueling schedule lasted for six months. He, however, was able to save some money by the end of 2015 after achieving net earnings of RMB80,000 in six months.

But, working from dawn to dusk made it impossible to be with his family. Therefore, Jin Feng decided to open a store to lead a regular life and expand his business. The news report convinced him that wholesale was better than retail, which was at the lowest end, as long as supplies and sales channels were stable.



Fishermen prepare freshly harvested sea products

The practice of purchasing products from middlemen is not cost-effective. For seafood business, the product supply channels matter the most because such channels can directly determine the profitability of wholesalers. Therefore, purchasing products directly from fishermen is most cost-effective. But wholesalers must have the ability to identify which vessel brings the best catch. In general, a 15-meter-long vessel can catch roughly two to three tons of sea products on every trip. Ships reel in different types of products, such as common fish, shrimp and shellfish, and one or two king crabs if the fishermen are lucky. Even fish, shrimp and shellfish fall into different grades. Their size and quality decide their value. Wholesalers lacking knowledge could end up paying through the nose for a load of products that nobody wants.

According to Jin Feng, the fishermen usually buy the products in bulk, i.e. RMB70,000-RMB80,000 for the total catch. Compared with buying from middlemen, the bulk

deals mean lower costs but more time in sorting through the catch and classifying the products. The wholesale business resulted in an annual net profit of RMB250,000 for Jin Feng in 2016 and 2017.

The bulk buying can save Jin Feng RMB6-10 per kilogram, a huge saving for him. When wholesalers can extend their business chain further upwards to farming, they can tap more potential profit.

In mid-July 2018, Jin Feng decided to partner with a friend to extend his business to the upstream farming sector. His friend would provide the site, an area of 466,667 square meters near the sea, while Jin Feng would buy and spread the fish seeds.

Based on estimates, Jin Feng believed this was a profitable deal: The investment in fish seeds was RMB300,000. Throughout the five-month fishing season from November to April, he could go fishing at least 70 times,

which would fetch him 350,000-400,000 kilograms of sea products. At RMB5 per kilogram, the net profit margin would be about 40-50%, indicating a net profit of RMB700,000 around a year.

However, such handsome profit was dependent on throwing the seeds into the sea in time, preferably in mid-August. There was less than one month left, so Jin Feng needed the money as soon as possible. The time was short, but Jin Feng had no idea how to arrange the documents needed for bank loan or about the process because he had never taken loan from a bank. After consulting a local commercial bank, Jin Feng realized it would be too late if he waited for bank loan.

Jin Feng had just decorated his new house and got married, almost using up all his savings. He needed RMB50,000 to buy fish seeds. A friend referred several fintech platforms to him. Luckily, he was ready to explore new things, and soon borrowed RMB50,000 from Youxin Financial, which made it possible for him to buy fish seeds worth RMB300,000 in time. For Jin Feng, RMB50,000 is an amount neither too big nor too small, but few platforms can grant such an amount. It is almost impossible for banks to loan tens of thousands of Renminbi to a “micro” business owner like him, and most

of the emerging fintech platforms merely provide thousands of Renminbi for personal consumption.

At the seaside, Jin Feng feels extremely excited seeing the workers casting nets of fish seeds into the sea. His products will be shipped to different cities to be enjoyed by many people.

Currently, the main task of Jin Feng is to visit customers and sign deals with them. As far as online channels are concerned, he plans to launch a store on Taobao, and has taken part in several e-commerce training programs. In terms of offline channels, based on his previous networking, he has established cooperative relationships with some large customers. For example, Jin Feng has signed a purchase contract with a seafood buffet in Shandong, under which the customer will initially buy 1,000 kilograms of products per day and then progressively increase the order. There’s a strong demand for sea products at buffet, with daily orders exceeding 5,000 kilograms in March 2017.

“As my business scales up, my parents and my wife can live a better life, just like the couple in the news report,” Jin Feng said. One of his wishes for the new year is to become a large customer of SF Express and ship his products to anywhere in the country. ✓



Name: Li Yanzhou

Age: 38

Loan Amount: RMB100,000

City: Chongqing

Term: 36 installments

Industry: Photography

Purpose: New equipment

02. Youxin Financial helps photography studio

Li Yanzhou's Oliverlee Photography Academy is located at Xiaoyang Youth Community in Jiangbei District in Chongqing. The location of the studio is picture-perfect as the community is devoted to serving young entrepreneurs and micro and small innovators. Moreover, the space is ample, the cultural atmosphere is rich and the rent is low.

Previously the academy was situated in an arts zone in an old district of Chongqing. The annual rent of the 500-square-meter studio was increased by 10 percent, which was too much for Li Yanzhou.

"Over the years, it's become more difficult to do real economy than to start online



entrepreneurial programs.” Even so, Li Yanzhou does not complain. As a man with the artistic dream, he clearly knows he cannot make a big fortune from his work. “The output of cultural innovation industry is limited. It’s not an industry favored by many investors. Cultural innovation industry is only attractive to those who’re really interested in it,” he said.

Before establishing his business and family in Chongqing, Li Yanzhou worked in several first-tier cities: He opened a photography studio in Beijing after graduating from Beijing Film Academy. Some years later he went to Shanghai to work as casting agent, then to Shenzhen to work as film photographer and then to Chengdu to work as assistant photographer for a fashion magazine.

Finally, Li Yanzhou decided to move to Chongqing and open a photography academy there, with a focus on training new crop of photographers. As the tuition fees of several thousand Renminbi per person is high, the course attracts a limited number of older citizens. Li Yanzhou said with a smile, “I’d thought that the trainees would be hipsters, but actually the majority is 50-60 years old since they have both money and time. The young people prefer taking photos with their mobile phones.”

As the number of trainees is limited, the course contributes less than half to total revenue. Li Yanzhou tries to make up the shortfall by taking up other works such as organizing photography tours and working for publicity projects of governments and enterprises. Li Yanzhou, however, is happy as he is doing what he loves best.

While he is dedicated to photography, Li Yanzhou is well aware that he has to make money.

Li Yanzhou followed the advice of his financial manager and moved the academy from the old district of Chongqing to Xiaoyang Youth Community, a gathering place of cultural innovators encouraged by the Central Committee of the Communist Youth League to develop cultural innovation industry and offer of large tax incentives. What’s more, given an area of 180 square meters and a monthly rent of RMB60 per square meter, the annual rent is little over RMB100,000, around half of what he was paying previously. And in the community, different companies can share meeting rooms and reception rooms.

Of course, moving from the old district to the new site added a lot of costs: In addition to the rent, money was needed for renovation and deposit of more than RMB300,000.

Shortly after moving to the new location, Li Yanzhou signed a large order: The annual publicity project of the tax department of a county government. However, the project needed latest equipment. Unfortunately, Li Yanzhou failed to find the equipment on lease, so he decided to buy it. “The new business required us to upgrade our equipment. But because I had moved to a new office, I had used up all my savings, and the funding gap was big.”

In May that year, a friend asked Li Yanzhou to borrow money from Youxin Financial, a fintech platform. As the charges were within his budget, Li Yanzhou decided to apply for



Li Yanzhou says moving his academy to the new place saved him taxes

RMB100,000 loan and received the amount on the same day, meeting his urgent funding need.

He bought the equipment and signed the contract successfully.

“Because of the loan from Youxin Financial, I won the contract. Although the project did not make much profit, the important thing is that the tax department was satisfied with our work and engaged us on long-term basis.” Moreover, Li Yanzhou and his team had the chance to interact with other government departments and obtained other projects, including a bigger publicity project of the tourism authority.

Li Yanzhou thinks highly of the long-term value of the order. “The government departments are launching more publicity

projects on mobile Internet platforms as they want their messages to reach more people and are willing to channel more inputs. Besides, as awareness about copyright protection increases, people will not use online pictures without permission,” he said.

So, a small decision has made a big difference.

On why Li Yanzhou decided to take loan from Youxin Financial, he said he did not want to borrow from relatives and friends because they are conservative, plus he did not want them to worry about him. He added that banks were too slow in replying to him although they were offering lower interest rate. “Actually a bank officer told me later that the bank was ready to grant the loan. But it was too late. I had already purchased the equipment and signed the contract.”



Night view of Chongqing

Currently, the photography academy generates a revenue of around RMB1 million every year, and a profit of RMB350,000-RMB400,000. The figure is much higher than RMB200,000 Li Yanzhou was making when he returned to Chongqing.

“The photography industry is more traditional

than Internet-related sectors. I do not expect to get rich quickly, but wish to make stable money,” Li Yanzhou said.

That night Li Yanzhou was teaching his students how to shoot images at night. He said it’s fantastic to take 3D photos of magical Chongqing. ✓



Name: Li Yan

Age: 45

City: Guiyang

Industry: Stationery

Loan Amount: RMB80,000

Term: 36 installments

Purpose: Business expansion

03. Youxin Financial finances stationery shop owner

Li Yan is different from traditional small business owners. He neatly tucks in a polo shirt, wears frame glasses and talks politely. His favorite topics are AI and hi-tech, and he likes sharing messages about AI, technical breakthroughs and neo-finance in his WeChat Moments.

He runs M&G Chenguang Stationery shop close to Guiyang No.1 High School. The shop, with an area of less than 10 square meters, is full of such items as paper, pencils, pens and document holders.

As the shop is near a school, it enjoys a good



Li Yan runs a stationery shop near Guiyang No.1 High School

geographical location, and boasts a better-than-expected profit. In the past decade since its opening, the shop has earned a revenue of around RMB1.5 million and a net profit of RMB400,000 a year after deducting the rent and wages of two employees.

Li Yan said his shop opens at 6:00 a.m. when students wake up to revise their lessons and closes at 21:00 p.m. when students go to bed. During class break, students swarm into the shop.

Institutes are another major customers of the shop. Pointing to the hospital opposite his shop, Li Yan said, “The hospital has a headcount of at least 2,000. Doctors usually run out of ink in just two days because of all the writing they do every day. What’s more, laboratory test reports and medical prescriptions mean there’s a big demand for paper as well.” In the past, the hospital alone bought stationery and other items worth around RMB500,000 per year from the shop.

However, the e-commerce boom has dealt a

heavy blow to his profitable business.

Young students do not go to the shop as frequently as before, but turn to Taobao, JD or other e-commerce websites. At the same time, many institutional customers are also choosing to shop online because their employees in charge of procurement are young people who prefer shopping over the Internet. In their opinion, online shopping has many benefits, such as lower prices and doorstep delivery.

With the implementation of the government’s “Transparency Project” in 2013, the centralized procurement within each unit has gradually changed to the practice where employees buy office supplies by themselves. As a result, they rely more heavily on e-commerce.

All this has directly hurt his sales, with the shop’s profit shrinking by half after 2014.

The impact of e-commerce was a painful and personal experience for Li Yan. Therefore it’s not surprising that he too wanted to move

his business online.

In February 2017, a friend recommended an Internet project to Li Yan: To become the franchisee of an early learning toy and selling the toy online. The toy can be tailor-made to fit the child's requirements, such as downloading a song into the toy from the Internet. After lots of research, Li Yan decided to get the franchise in Guiyang.

The franchise fee of RMB300,000 was not a small amount. At that time, Li Yan had less than RMB200,000 in savings. Li Yan explained the funding gap this way, "There's no shortage of opportunities on the Internet. What sometimes falls short is money. It would have been a bad experience for me if I missed the opportunity because of money." There were other people wanting to get the franchise right. This further strengthened his determination.

Li Yan's love of new things made him more understanding of the Internet and fintech than many other folks. Very early on he had come to know that people could get fast and convenient access to funds through new types of platforms. So, the idea of borrowing from such platforms immediately struck him. After comparing many fintech companies, Li Yan borrowed RMB80,000 from Youxin Financial. With the help of Youxin Financial, Li Yan successfully seized the opportunity.

Li Yan became the franchisee in February 2017, and rolled out official operation in July that year. Although the toy is sold via the online channel, offline cooperation was indispensable during marketing. Li Yan introduced the toy to kindergartens and early learning institutions, and met with companies offering children-related business. For instance, the intelligent toy was displayed at the parent-child campaign of Ping An Insurance.

"My efforts in the past six months have paid off," Li Yan said. "There're risks in doing anything. Based on my earlier research, I'm optimistic about the future advancement of intelligent technology."

When asked whether he was worried about installments as he wasn't making any money since taking the loan from Youxin Financial in February to launching the product in July, Li Yan said he had taken all the risks into account, adding "credit is most valuable in this era. We must use it properly."

School is about to close for the day. Li Yan hurries back to his shop. While online shopping is prospering, students still buy something on their way home. So, the time after school closes remains the busiest period. Li Yan serves each customer with a smile. However, his destiny is already linked to the development of Internet, a more significant initiative, more closely. ✓



Name: Guo Dongzhen

Age: 30

Loan Amount: RMB53,000

City: Guangzhou

Term: 36 installments

Industry: Retail

Purpose: Replenishing stock

04. Youxin Financial extends helping hand

A farmers' market spread over hundreds of square meters near a large industrial park in the suburbs of Nansha District, Guangzhou City. Every evening, crowds of villagers and migrant workers swarm into the market to buy household items such as rice, flour and cooking oil. The grocery stand of Guo

Dongzhen is located in a corner of the market.

Since Guo Dongzhen was in primary school, the stand has been an important source of income for his family. At that time, his father was working at the industrial park and only

had two days off each month. His mother managed the stand for almost 15 years, including buying and selling goods, and keeping accounts. In the meanwhile, she also had to look after the grandparents of Guo Dongzhen, and take care of the whole family.

“My father earned RMB1,000 per month at that time, which was not enough for our big family. So, my mother’s running of the grocery stand boosted our household income,” Guo Dongzhen said.

As per his memory, the farmers’ market was flourishing in 2012. In accordance with the city planning of Nansha District, at least five processing and manufacturing companies moved to the neighboring industrial park, and lots of workers settled down in the area. After day’s work, lots of people massed together in the market, and each store registered good sales figures.

After graduating from the local vocational school in June 2012, Guo Dongzhen was unwilling to take over the stand because he wanted to spread his wings in big cities like other young people. However, without a good educational background, he was forced to work as vegetable deliveryman, courier and security guard in downtown Guangzhou, and each job lasted just few months.

Guo Dongzhen could not find an ideal job, and he was also worried that his mother was too old. Therefore, in 2014, he returned to his small hometown in Nansha District with savings of over RMB20,000,

The expenses of his family were huge. Guo Dongzhen could not stay idle so took over from his mother and began running the grocery stand in the farmers’ market so that she could relax a little and look after the whole family.

Soon, he discovered that the financial position of the stand was not sound at all. In the first month he took over, the turnover exceeded

RMB30,000, but about RMB20,000 of it went into replenishing the stock, and RMB5,000 to pay the rent and miscellaneous fees including utility bills. As a result, the net income was just RMB5,000.

Before the Spring Festival in 2016, two big companies moved out of the industrial park, further reducing the number of customers at the farmers’ market. The consequences were clearly reflected in the balance sheet, with the monthly turnover falling from over RMB30,000 to nearly RMB20,000. The market was losing shoppers, imposing lots of pressure on Guo Dongzhen.

The fall in income had an immediate impact on the quality of life of his family. Moreover, Guo Dongzhen was planning to marry his girlfriend and he needed money to buy a home.

Guo Dongzhen and his girlfriend decided to operate the stand differently from others. They diversified the products on offer from fuel, rice, oil and salt to free-range eggs, quail eggs and bacon in the hope of generating more income. Gradually, the number of new customers increased. But this was accompanied by the further rise in purchasing costs. The liquidity was often tight, especially during holidays.

“I got married that year, almost using up all my savings. But the stand needs cash flow to replenish stock month after month,” Guo Dongzhen said. As the only child of his family, Guo Dongzhen needed to face the difficulty and make painstaking efforts to improve the living standard of his family. After discussing with his wife, he decided to rent the neighboring stand to expand his business. But, together with the money for stock replenishment, he required RMB50,000, which put him in tight spot.

Guo Dongzhen thought of borrowing from his relatives and friends, but his mother opposed the idea because she did not want

to owe them a debt of gratitude.

So, Guo Dongzhen had to find another solution. A friend working in the credit sector helped him analyze the pros and cons of several borrowing channels. Guo Dongzhen realized that without a standard turnover record it was almost impossible for him to get a bank loan; although he had never defaulted, his credit card did not have enough limit. His friend told him about a new type of fintech platforms which lend to micro and small business owners usually on the basis of personal credit alone. After comparing the products of several platforms online, Guo Dongzhen selected Youxin Financial and received the money on the next day of applying for an unsecured loan of RMB50,000.

He replenished the stock with RMB20,000, and rented the neighboring stand with the remaining RMB30,000. Apart from expanding his business, he also began offering a new service, free doorstep delivery.

“After the industrial park laid off workers, the number of migrant workers dropped significantly. However, residents living in the neighborhood still need daily necessities. To cater to their demand, I deliver what they want, big or small, right to their doorstep

without charging any additional fees,” he said. When customers place orders over mobile phone or via WeChat, Guo Dongzhen rides his electric bicycle to deliver the goods directly to them before dinner time. This encourages a large number of return customers. “It’s very tiring, but I can manage it,” Guo Dongzhen said with a smile.

Guo Dongzhen has developed a business philosophy. In his opinion, being an honest businessman is most important. He guarantees the quality of his products and tries his best to provide satisfactory service. A repeat customer spoke very highly of his grocery stand, saying both Guo Dongzhen and his mother have never cheated or sold bad quality goods in more than 20 years.

The business is picking up thanks to the hard work of Guo Dongzhen. The monthly turnover has increased to RMB40,000, and the monthly inventories are on the rise. The life of Guo’s family is also improving.

“Now, I don’t want to settle anywhere else. I think my present stable life is much better,” Guo Dongzhen said. As a child born to a rural family, he intends to further improve the business of the grocery stand and save enough money to buy a bigger house for his family. ✓







Female Entrepreneurs

Gender equality in career opportunities forms a very important part of social fabric.

China has taken many steps to promote female employment and entrepreneurship. A survey of 2,100 entrepreneurs by Renmin University of China in 2016 showed that female entrepreneurs accounted for 35.2 percent of sampled respondents.

As of the end of 2018, about 35.8 percent of the micro and small businesses owners borrowing from Youxin Financial were women.

Female entrepreneurs face bigger challenges than men when it comes to obtaining startup funds, finding suitable partners and controlling the pace and scale of operations.

Zhang Lizhen, an adviser to the Beijing Association of Women Entrepreneurs, said in an interview that lack of financing means, low investment from financial and social channels and reliance upon relatives and friends are the main problems women face when starting business.

To make financing easier for female entrepreneurs, fintech has begun to play an increasingly important role.

Female owners of micro businesses can obtain unsecured funds from Youxin Financial purely on credit to support their careers, thus gaining equal opportunities and motivations as men in their personal careers.

K12 online education entrepreneur Chen Shishi entered the market in 2014. Currently, she has established cooperative relations with 12 public schools in Shanghai, with monthly revenue of around RMB2.6 million. However, when the company urgently needed capital to pay salaries to foreign teachers, Chen Shishi was under great pressure. Finally, a loan from Youxin Financial helped her. Wu Qiao, a scarf trader in Jiaxing, Zhejiang Province, works with U.S. customers around the year. She received a large order that required certain advances; otherwise, she would fail to deliver the order. In the end, she obtained financial support from Youxin Financial.

These are just some stories of tens of thousands of ordinary female entrepreneurs in China. Thanks to fintech, their careers are reaching new heights.



Name: Li Enxian

Age: 47

City: Tianjin

Industry: Organic food

Loan Amount: RMB120,000

Term: 36 instalments

Purpose: Renovation of vegetable market

05. From Moscow to Tianjin, the story of 47-year-old female entrepreneur

The Russian financial crisis that began in 2014 continues to cause reverberations, and the economic slowdown has changed the lives of

many people, including Li Enxian.

In the early summer of 1989, the Korean-



Li Enxian's market looks neat and orderly

Chinese woman decided to travel across half of Eurasia to launch clothing business in Moscow.

At that time, the drastic changes in the Soviet Union and Eastern Europe had begun, and the Soviet economy was falling. Owing to the shortage of materials, trade in foreign clothing products was very profitable. Li Enxian made a small profit in less than six months.

To earn more profit, she decided to buy the goods in large quantity with all her savings. She went to a Moscow market with all her money to place the order, but unfortunately she became a victim of robbery.

Like some movie plot, it happened all of a sudden.

One second she was excited about the future, the next her life turned upside down. "In a foreign country, it is impossible to live without money," Li Enxian said. "If I didn't think about my son, and if there was no help from Chinese people, I don't know what

would have happened."

Through diligence and hard work, Li Enxian was able to put her business back on track. She paid off her dues and bought a small house on the outskirts of Moscow. Life was beginning to get better.

But again, fate intervened.

After the disintegration of the Soviet Union, then-president Boris Yeltsin's "shock therapy" to treat various social evils created chaos. There was proliferation of guns and sharp rise in crime rate. Li Enxian underwent another traumatic experience: She was kidnapped.

Fortunately, she only lost money. Nevertheless, such a turbulent environment was not suitable for long-term residence. After the birth of her second son, Li Enxian decided to leave Moscow.

After living in Russia for 17 years and experiencing several rounds of social unrest, Li Enxian learned to be peaceful and calm, realizing that an individual's destiny was full of ups and downs.

In August 2015, Li Enxian returned to China. She didn't go back to her hometown in Yanbian but chose Tianjin. When she was in Russia in 2012, she had invested in a hotel in Binhai New Area. The hotel was running smoothly. She decided to take over the business after returning to China, as it would give her a foothold in her homeland.

Targeted at the lower end, the hotel had two storeys with 31 rooms, and the rent for one night was around RMB100. Because there were many construction sites nearby, truck drivers were the main customers. The hotel was running at full occupancy most nights.

However, in the month when Li Enxian returned to China, Tianjin was rocked by a series of explosions at its port area on August 12, 2015. The explosion was only a few



Li Enxian has upgraded the vegetable market on the first floor of her hotel

kilometers away from the hotel – all the doors and windows were shattered.

The hotel staff members remember the event as if it happened yesterday. “The hotel was a mess. We were in shock and didn’t know what had happened. All the guests rushed out. The scene was very chaotic. Li, however, remained at the door of hotel, thinking about something,” an employee recalled.

The impact of the explosion lasted long. Around RMB70,000-80,000 was spent on repairs and renovation after the disaster, and the hotel quickly recovered its original appearance. In spite of this, the occupancy rate plummeted by 20 percent, and the monthly revenue contracted by more than RMB20,000. Two years later, the business was still down.

Li Enxian thought she had experienced more unfortunate events than anybody else. However, she refused to give up.

Li Enxian decided to tap other businesses, such as food import and distribution, sale of imported red wine, and contracting the vegetable market on the first floor of her hotel. Fortunately, as one of the few vegetable markets in the Binhai New Area, Li Enxian’s vegetable market was valued by the local government, and the latter offered some preferential policies. Gradually, more and more customers started coming. Li Enxian thought the vegetable market was a good deal. Recovering investment was not a big problem, and the rate of return would also be good.

Li Enxian’s plan was to upgrade the market,

and all the over 20 stalls rented out would only sell green and organic food.

The only problem was that such an upgrade would require lots of upfront investment. The period of recovery of funds from various small businesses of Li Enxian were not the same. If there was even a one day delay in renovation then she was staring at a net loss of RMB10,000, including the rent loss. So, raising the funds for renovation became a top priority.

The first thing that came to her mind was to apply for a bank loan. However, Li Enxian was not a native of Tianjin, and she had no property in the area. It would be difficult for her to borrow money from a bank, not to mention the time it would take for loan disbursement. If the loan took one or two months, she would lose lots of money.

As for borrowing from acquaintances, she was afraid no one would lend to her. She had been living abroad for a long time and knew few people in the country, and her own friends owed her money.

In the last few years of living in Russia, Li Enxian had heard of some private Russian microfinance institutions that provided emergency loans for people who could not get bank loans. However, such a lending institution made Li Enxian somewhat concerned. A credit line enough for daily consumption would not solve her renovation funding problem.


Then a friend told her about new types of fintech platforms that offer unsecured loans in quick time. Li Enxian had never borrowed money from such an institution. Although worried, she nevertheless contacted Youxin Financial - a fintech platform recommended

by her friend.

Due to her sound personal credit record, Li Enxian received the loan from Youxin Financial on the day of submitting the application. She immediately began renovation work. All shops and stalls in the vegetable market would be uniformly renovated. The walls and floor tiles would be subject to strict standards. "After all, it is about food. My requirement is to reach the mid-range level at least." At the beginning, merchants could not understand why a vegetable market was decorated so well; rigid hygiene management standards must be followed, not to mention the high requirements on food quality. But now, the market is on track, there's a stable flow of customers and its good reputation has convinced merchants.

Life is once again progressing smoothly, which brings far more spiritual comfort to Li Enxian than normal business operation. She has finally regained her strength.

Speaking about future plans, Li Enxian said she would engage in high-quality food ingredients sector. Currently, the vegetable market is trying to sell imported Australian beef, which may open up the market in the future. As for hotel operation, Li Enxian decided to renovate and upgrade the hotel after conducting a study in Xiamen. Some rooms would be merged into larger ones or suites, so that the 20 percent of rooms that remain idle could be fully utilized and a better living environment provided.

Although, Li Enxian can be called "a woman with stories". She is not emotional and rarely mentions her past. She's focused on "solving problems" all the time. Her philosophy is to "keep moving." 



Name: Chen Shishi

Age: 36

Loan Amount: RMB140,000

City: Shanghai

Term: 36 instalments

Industry: Online education

Purpose: Payment of salaries

06. A busy woman entrepreneur and educator

“After half a year, I’ve finally reached a consensus on the angel round of funding with a VC firm. How hard it is!” Chen Shishi turned around and said animatedly. Chen, who has been working in the online education sector for almost four years, could relax a little — if only for a moment.

Born in Taizhou, Zhejiang Province, Chen

dreamed of starting her own business when she was young, as many of her relatives and friends had. Her dream came true during her sophomore year in college.

At that time she was majoring in design. So naturally, Chen chose to open a store selling handmade jewelry. The small store had stable customer engagement, and she made

her early fortune. Later, Chen served as the campus agent of Avon, a real estate agent and also opened a pool hall. Chen said of her initial businesses, "They brought me enough pocket money."

After graduating from college in 2009, Chen discovered Japanese anime was very popular among young people in China at the time. This inspired her to launch a full-package service model combining design, production and sales of cosplay outfits after consulting her friend who managed a clothing factory.

As soon as the decision was made, Chen sold her other businesses to friends. Chen was satisfied with the performance of her store. She said, "Looking back, I believe I made a very sensible decision. The cosplay costumes were sold very well, generating big profits. After deducting the overhead, I could earn a net profit of RMB200,000-300,000 each month."

"For most people, the profit of this cosplay clothes store would be enough," Chen admitted. Later, she was pregnant, and gradually exited the day-to-day operation of the store while only doing some design work. "I raised fish and planted flowers to kill time then."

After one year of a leisurely life, Chen wanted to return to work. She found the online English education market for teenagers had great potential. In September 2014, after convincing her husband, she used her own money as a start-up fund to prepare for her own online education institution. After half a year of research, analysis, and preparation, Chen officially launched her first online oral English course in June 2015.

According to Chen, there are several packaged curriculum options: a tuition fee of RMB19,999 for 180 courses in a year, and RMB27,999 for 270 courses in a year and a half. Her company now employs more than 200 Filipino teachers and 80 European and

American teachers and has 2,500 active users.

The largest cost at an online education institution is payment to teachers. In order to minimize cost of wages, and after several rounds of market research, Chen found hiring more teachers from the Philippines was a good choice. English is an official language of the Philippines, so local teachers speak English very well and, more importantly, their labor cost is much lower than European or American instructors.

Chen opened a branch in the Philippines to recruit local teachers. For a 25-minute class, payment to a European or American teacher is RMB90, in sharp contrast to a payment of RMB40 for a Filipino teacher.

Now she pays about RMB600,000-700,000 to Filipino teachers and RMB300,000 to European and American instructors each month.

However, Chen soon became aware that long-established large platforms enjoyed obvious strengths in curriculum design, attracting customers and faculty.

At the end of 2016, the State Council released the "13th Five-Year National Plan on IT Application", stating that during the 13th five-year planning period China will expand coverage of educational resources via IT application, establish a network-based, digital, personalized and life-long educational system and promote the development of online education. By 2020, China will put in place a public service system of digital educational resources and form a national cloud service system of educational resources, featuring multi-level distribution and connectivity.

"This is really a good news for the online education industry," Chen said. "Currently, almost all mainstream online education companies in the market focus on C-end users and only a few are exploring B-end



Chen Shishi said her company broke even in mid-2018

users.” Chen defined the position of her company as a service provider, and decided to shift from 2C to 2B by providing oral English classes for public schools. These classes emphasize English speaking, shoring up weaknesses in public schools which did not stress how to speak English well.

After making up her mind, Chen began to communicate with public schools in the end of 2016. After nearly two years’ preparation, she has established partnerships with 12 public schools in Shanghai.

The platform provides courses for partnered schools for 15 weeks per semester and one English class every week. Based on an average 20 classes per school, they charge about RMB240,000 each year.

“Of course, this is only part of the revenue. When students are satisfied with the quality of the courses and want to further improve their English proficiency, they can choose to continue with the online courses we offer,” Chen said. According to their survey, 70% of primary and secondary school students and their parents said they are willing to sign up

for the course.

“I’ve made a lot of investments in the past four years. I finally got through this uneasy period.” Chen said her company achieved break-even point in mid-2018, and its current monthly operating income and expenses are around RMB2.6 million. In terms of monthly costs, the company pays wages of nearly RMB1 million and has over RMB1.5 million in overhead, including expenses relating to course development, marketing and sales. In terms of revenue, C-end accounts for about 70% of the revenue, while B-end contributes 30%. The B-end revenue will increase in the future.

In early 2018, talks with VC firms were still work-in-progress. When it was time to pay wages, Chen received a phone call from her husband at the Philippines branch. She explained, “He urged me to remit over RMB200,000 to pay the foreign teachers. If I failed, those teachers would definitely leave.”

Chen thought of a lot of ways to raise money. The first idea was to apply for a bank loan. But she had borrowed from several local

banks before to maintain business operations. One bank had granted her a revolving credit line of RMB3 million. It was almost impossible for her to get a bank loan in a short time.

Chen borrowed from a friend who was operating clothing business, but there was still a gap of RMB100,000.

“The Philippine branch called me several times a day, pressing me to pay wages on time,” Chen said, adding she felt very anxious. The friend who did the clothing business suggested she try an online lending platform which could grant loan quickly.

Chen picked Youxin Financial from several online lending platforms. She filed a loan application and, with good credit, got a loan

of RMB180,000, enabling her to pay the Philippines teachers in time.

Her company has been in steady operation for almost two years, and Chen has identified efficient ways to deal with public schools. She plans to make further efforts this year to reach 100 local public schools and expand her business to Shandong Province.

Looking back on her entrepreneurial path over the past 10 years, Chen shared her thoughts on the journey. “The first step is to choose a promising industry with broad market prospects. The second step is to find a right profit model. The third step is the most important — to build a team. The team needs to have superb execution so the startup can go further.” ✓



To differentiate business from competitors, Chen Shishi has changed her business model from B2C to B2C by providing public schools with oral English classes



Name: Wu Qiao	
Age: 44	Loan Amount: RMB100,000
City: Jiaxing	Term: 36 instalments
Industry: Manufacturing and foreign trade	Purpose: Purchase of raw materials

07. A female China-U.S. trader secures the order after putting in nearly one million Renminbi

“Because of the sluggish business environment, the orders have fallen significantly compared with the same quarter of previous year,” Wu Qiao, a scarf trader in Jiaxing, Zhejiang Province, said. In the past 10 years of working with U.S. customers, she has personally experienced the highs and lows of China-U.S. trade.

Wu Qiao, a native of Jiaxing, began thinking about launching her own business after marriage. Since she grew up watching her parents run business, Wu Qiao made all the preparations needed before becoming

entrepreneur.

In Jiaxing, an important advanced manufacturing base, traditional industrial clusters have taken shape, including Tongxiang sweater, Pinghu clothing, Xiuzhou silk weaving, Nanhu building materials and Haining leather. As Wu Qiao was living in Tongxiang after marriage, her upstream and downstream suppliers in the Tongxiang clothing industry all have certain connections. On the advice of friends, Wu Qiao decided to export scarves in 2008. She has been in the business for more than a decade.

“There are orders from all over the world, and the amount of each order varies greatly, ranging from tens of thousands of Renminbi to hundreds of thousands of Renminbi. Most of my customers are from the U.S.”

Wu Qiao displayed her chat with a U.S. customer on her mobile phone. She found the most difficult part in dealing with foreign customers was the language: “At the beginning, my English was very poor. Every time a customer sent me a message, I had to look up the words one by one on the Internet before replying. My customers often had to wait patiently.”

Wu Qiao was forced to seek help of foreign agents to expand business and pay them certain fees based on the order value, which greatly reduced her profits.

During that time, Wu Qiao took care of the business in the factory, while learning English by herself. When she began receiving orders and started to communicate with customers more confidently, she knew her efforts had paid off.

“The customers who stay in touch are mainly old customers, accounting for more than 70 percent. I won those customers with painstaking efforts,” Wu Qiao said. After years of word-of-mouth marketing, many old customers started introducing new customers to her.

At present, the main product processed by Wu Qiao’s factory is scarf, representing about 70 percent of all products. Other products include sweaters.

April and May is a busy period for factory workers. Due to the different seasonal needs of customers from different countries, the difference between peak and slack season is not so obvious.

However, Wu Qiao said business volume is crucial in the scarf business. “Compared with clothing business, the profit of scarf business

is much lower. A set of cashmere scarves and hats, with the cashmere content of 120 to 200 grams, is sold at around RMB200. The profit is only about RMB30.” Therefore, the factory usually adopts the mode of quick turnover with small profit.

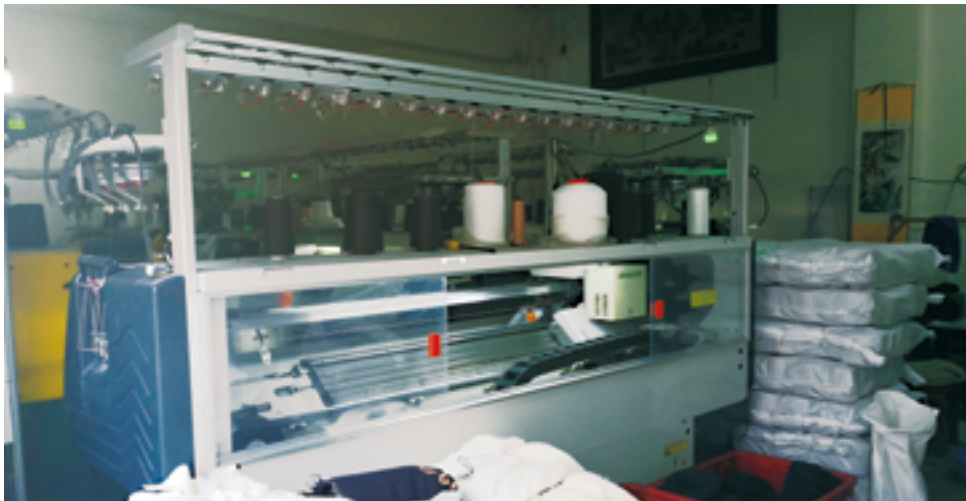
In order to save rent, Wu Qiao established the main workshop in a village on the outskirts of Tongxiang, where the annual rent was about RMB40,000. She has rented a three-story building with machine on the first floor for sample production and small orders, the second floor is used as a warehouse, and the third floor is her office and warehouse.

In addition to daily expenses such as rent, water and electricity, Wu Qiao has five employees and needs to pay nearly RMB30,000 in wages every month. Other miscellaneous expenses including proofing, transportation and delivery are nearly RMB100,000. Roughly, the fixed monthly expenditure is about RMB150,000. In terms of revenue, the factory can receive dozens of orders throughout a year. The value of orders ranges and the average revenue per month is about RMB300,000.

In July 2017, Wu Qiao received a large order from an old customer. In a month, she had to deliver thousands of sets of cashmere scarves and hats, with the total order worth more than RMB1 million.

According to calculation, the raw material price of cashmere would be about RMB1,150 per kilogram, and the material consumption of scarves and hats would be huge. While a new customer had to pay a 30 percent deposit, an old customer need to pay only a 10 percent deposit. Hence, she would have to arrange about RMB800,000 for raw materials and accessories. Because Wu Qiao recently bought a new car, she faced a funding gap of nearly RMB150,000, even after counting all her savings.

Wu Qiao knew she could not afford to lose such a huge order. To arrange the



Roughly, the fixed monthly expenditure of Wu Qiao's factory is about RMB150,000

money, she first approached a friend who was in the same trade. "When I am short of money, I usually consider borrowing from acquaintances. My parents also run business. But they didn't have cash in hand as they were waiting for payment. When I borrow from friends, I pay them back with interest," Wu Qiao said.

In 2017, the housing price in Tongxiang was soaring. Her friends had invested their savings in the property market. Finally, she was able to arrange only RMB50,000. To raise the remaining amount, she met with the bank officer who had previously handled home loan for her. But she was told it would take at least two weeks for the bank to approve the loan and a guarantor would be needed.

As time was short, Wu Qiao decided not to waste it on waiting. A friend told her that she could apply for unsecured loan from fintech platforms. Compared with traditional financial institutions, such platforms conduct a quick assessment on personal credit by using big data technology and intelligent risk management. Meanwhile, owing to the long-term understanding of micro and small business owners, some platforms provide a loan matching service that banks are unable to offer.

Wu Qiao quickly compared several platforms,

and finally chose to apply to Youxin Financial. She got a loan of RMB100,000 on the same day, which helped her buy raw materials. One month later, the order was ready on time.

In recent years, Jiaxing has witnessed surge in exports. According to available data, Jiaxing's export growth in 2016 was 11 percentage points higher than the national average. In 2017, the growth reached 14.6 percent. In 2018, the region's export volume increased by 13.6 percent year-on-year. Wu Qiao's business was booming so much that she sometimes found it difficult to complete orders on time.

In the second half of 2018, however, the tide turned. Impacted by the cooling of China-U.S. trade relationships, even small traders like Wu Qiao felt the decline in orders; especially in the third quarter of 2018, the shipments decreased by nearly 30 percent compared with the same period in 2017 and 2016. The proportion of order volume from U.S. customers dropped to around 30 percent from nearly 50 percent in the previous two years.

"A few years ago, only a few orders were sent by customers, but the quantity of each order was huge, such as tens of thousands or hundreds of thousands of scarves; but now the quantity is basically thousands of scarves,



According to Wu Qiao, the profit of scarf business is much lower than clothing business

and very few orders of tens of thousands.”

“Most of my customers are from the U.S., and they often use U.S. dollar for settlement. Due to the impact of macro environment, the fluctuation of U.S. dollar exchange rate is particularly significant, with an uncertain prospect,” Wu Qiao said.

Fortunately, the government department of Jiaxing has already realized this problem and successively launched a series of policies to support foreign trade development, optimize related environment and boost the confidence of micro and small business owners like Wu Qiao.

For example, the Jiaxing Municipal Government has issued 70-point guidelines in the Opinions on Promoting the High-quality Development of Industrial and Open Economy, in which, 38 guidelines aim to support active response to trade frictions, further facilitate cross-border trade, alleviate corporate burdens and enhance corporate competitiveness. Meanwhile, an Action Plan of Jiaxing City for Accelerating New Advantages in Foreign Trade Competition (2018-2020) has been released, which

focuses on boosting the quality and efficiency of foreign trade development and fostering new advantages in foreign trade competition. In addition, Jiaxing is also vigorously promoting the diversified layout of export market. It is playing the role of major channel for enterprises to tap market, and vigorously supporting enterprises to participate in domestic and international exhibitions. On the basis of consolidating traditional advantageous market, it actively explores emerging markets involved in the Belt and Road Initiative and South America, to promote the diversification of market. Besides, enterprises are also encouraged to choose major countries involved in the Belt and Road Initiative and participate in joint exhibitions organized by other nations, so as to reduce the exhibition costs, enhance efficiency and actively expand the market.

Currently, acquiring more new customers and expanding business scale has become the most important issue for Wu Qiao. In order to make a breakthrough, she has begun to explore the processing and production of other products, such as wool and cashmere gloves, sweaters and jackets. From plate making to proofing, she devotes herself to each process. “A light coat can be sold for almost RMB60, and the cost is less than RMB30. The profit margin is much higher than the scarf business.”

In addition to diversifying product lines, she has also started to expand the ways of acquiring customers. Wu Qiao said there are a large number of potential international customers on some foreign trade intermediary platforms. After registering as a paid member, a trader will be able to directly access foreign customers on these platforms. For that reason, Wu Qiao has started to improve her English. “Each intermediary platform provides a basic translation software. Now, I can roughly communicate with foreign customers. I need to keep learning and using English. Only when I have a good command of English, I can get to know more customers.”



<i>Name: Wang Ran</i>	
<i>Age: 32</i>	<i>Loan Amount: RMB50,000</i>
<i>City: Jiangmen</i>	<i>Term: 36 installments</i>
<i>Industry: Bathroom accessories</i>	<i>Purpose: Purchasing equipment</i>

08. Two loans make her bathroom accessory business take off

Shuikou, a town in Kaiping City of Guangdong Province with convenient land and water transportation, plays a significant role in China's bathroom accessory manufacturing sector. The industry has been developing in this place for six decades. According to official statistics, there are more than 1,200 registered privately owned businesses manufacturing or selling water heating products. One of them is a bathroom accessory manufacturer owned by a Hunan-

born female Wang Ran.

Xinshi Road is a trunk road in Shuikou Town. Lots of bathroom accessory and water heating equipment shops and billboards are seen on both sides of the road. In 2017, Kaiping City reported a gross output of bathroom accessories and water heating equipment worth RMB13.06 billion and exports of US\$1.233 billion. The products are exported to more than 200 countries and

regions including Europe, South America, Australia, the Middle East, Southeast Asia and Hong Kong. In Kaiping, over 50,000 people work in the bathroom accessory and water heating equipment industry, and the locally manufactured products occupy a market share of over 40 percent in China.

The two-story factory of Wang Ran is situated behind Xinshi Road, and is small in size, about 600 square meters. The first floor is the manufacturing site of bath ensembles, and the second floor is subleased. Wang Ran and her family also live there.

Data show that in 2014, in China's bathroom accessory industry the demand for hardware accessories was the largest, at 43.87 percent. So, the bathroom hardware accessory segment was very promising. Such accessories included a variety of items, such as mirrors, soap dispensers, wastebaskets, brushes, scales, toilet seats, hampers, and toilet tissue holders.

Besides, these accessories there are daily necessities and nondurable goods. Their fine artworks easily attract buyers. As novel technologies are applied in the manufacturing of bathroom hardware accessories, many outdated products are replaced. For example, in around 2014, water-saving accessories of flush toilet tanks were taking place of old ones.

The conditions at that time were favorable for newcomers to the bathroom hardware accessory segment because the booming real estate market was fueling the growth of home decoration industry.

So, believing the segment still had much growth potential, Wang Ran and her husband left a large bathroom accessory factory to start their own business.

The couple leased a building, bought machines and employed workers with their savings of RMB110,000. After less than two months' preparation, their plant started

operation. Wang Ran became the manager.

The business of Wang Ran lies in the mid-stream of the bathroom accessory industry chain, and mainly receives orders for outsourced manufacturing of bathroom hardware accessories such as shower heads and faucets. Generally, the large factories of bathroom accessories provide raw materials to Wang Ran. Then her plant uses those materials to manufacture hardware accessories, and delivers the finished products to the large factories which pay Wang Ran for the manufacturing. Although the profit margin is not high, the net earnings, at RMB200,000 per year, are enough to support the family of Wang Ran.

"Our business is still fledgling, and it's now roughly break even. In the future, we will try harder to increase profits," Wang Ran said.

Labor cost is the biggest expense. The plant has seven employees and adopts the piece-work system. A worker earns over RMB1 for manufacturing a hardware accessory, and can earn RMB300 around a day. In this way, the labor cost stands at about RMB60,000 a month. Plus the rent of RMB3,000, utility bills of RMB3,000, equipment depreciation expenses and the like, the plant spends about RMB80,000 a month.

In the opinion of Wang Ran, the key to finding a niche in the bathroom hardware accessory industry is to follow closely the industry trend because the products' exterior design and performance change very quickly. Accordingly, the upgrade of manufacturing equipment is indispensable.

In June 2016, the plant took a new hardware accessory order. Unfortunately, the equipment could not make the required products, forcing Wang Ran to buy new equipment whose cost was about RMB10,000. In addition, there were also salaries. So, Wang Ran needed RMB50,000. Given the small size of her business, RMB50,000 was a big amount. Not a native

of Kaiping, Wang Ran had no property in the local place for collateral and thus could not get bank loan.

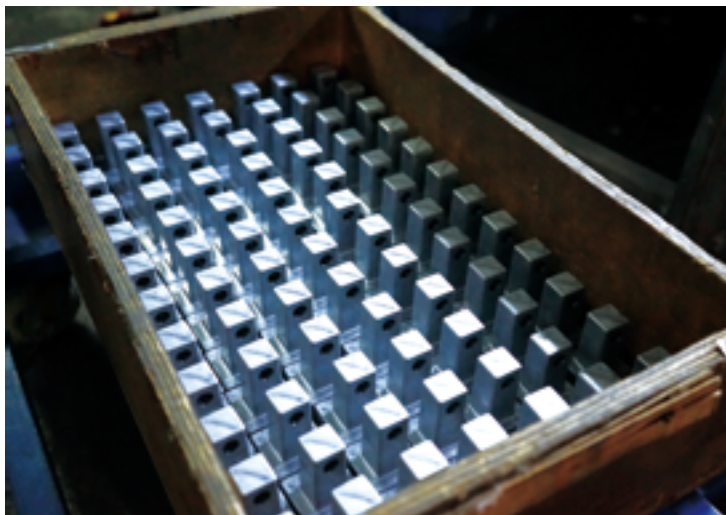
"I wanted to borrow from a friend, but he did not have money, either. He recommended a fintech platform, namely Youxin Financial, since he had previously borrowed from the platform very conveniently. I urgently needed the money. I had only one month to buy new equipment and start manufacturing the products. If I moved slowly, the buyer might give the order to somebody else," Wang Ran said.

So Wang Ran submitted a loan application to Youxin Financial. Thanks to her good credit record, Youxin Financial approved and disbursed the loan quickly. With the loan and her own money, Wang Ran bought four sets of polish-grinding machines and immediately began manufacturing.

"I didn't expect the loan to be granted so quickly. A bank wouldn't disburse such a small amount to a micro enterprise, and my credit card didn't have such a high credit line. Youxin Financial got me out of the financial trouble," Wang Ran said.

To seek growth in the bathroom hardware accessory sector, one must keep on learning. Whenever there is a new manufacturing technique, Wang Ran will learn it first and then teach the workers. "We must be patient enough. When we accumulate enough experience and become technologically advanced, our good reputation will naturally attract customers," she said.

In 2017, a friend recommended a big customer - a bathroom fittings and accessories manufacturer in Qingyuan of Guangdong Province which exported to Europe and the U.S. to Wang Ran. The company had a stringent requirement on the quality of exported products, such as brightness and shape, and every product had to pass 98 percent approval limit. The company sent its employees to inspect



Polished bathroom accessories in the plant of Wang Ran

details on a regular basis.

The plant of Wang Ran did not manufacture anything for 20 days in September 2017. She and her employees created samples and tried every technique to produce the best product. They often worked until late hours. Some employees could not adapt to such fast pace of work, and resigned. With an unyielding spirit, Wang Ran finally conquered the technical difficulty, and led her workers to complete the order which successfully passed two rounds of inspections from the client.

In 2017, Wang Ran's plant faced a difficult time due to non-compliance with environmental standards. At a meeting organized by the Shuikou Town Government, the government leaders stressed the necessity and importance of rectifying serious environmental problems across the board and called on all sides to work together to protect the local environment and make new progress in environmental protection, in a bid to promote the coordinated, green and sustainable development of the town's economy and society.

At that time, Shuikou Town carried out a

special campaign against industrial pollution, requiring small polluting enterprises to go green and small factories to install sewage and environment-friendly equipment.

The polishing process and the welding process during hardware manufacturing generates some environmentally hazardous smoke, particulate matters and exhaust gases.

Wang Ran's plant and many others in Shuikou did not have environmental awareness, and very few factories installed exhaust gas purification and environment-friendly equipment.

"One set of environment-friendly equipment costs more than RMB100,000," Wang Ran said. "Small businesses like us don't have that much profit. Buying the equipment means spending whatever we earn in a year."

It was claimed that 30-40 percent of nearby factories closed down because they could not afford to buy the equipment.

The dilemma was that any business without environment-friendly equipment was banned from rolling out production. Wang Ran's plant stopped work for a month. She knew she must buy the equipment since a better living environment would benefit everyone.

However, she fell short of money.

"The government required us to install the environment-friendly equipment before the end of that year. There was only one month left, so I was in urgent need of money." It happened that Youxin Financial called her for feedback on previous borrowing experience. Wang Ran was pleased to know that she could borrow another time. Convinced by the previous experience, Wang Ran applied for loan from the fintech platform again. The money was paid into her account in two or three days, enabling her to buy the equipment and restart production.

The plant of Wang Ran is now on the right track, and maintains stable relationships with customers. She is now trying to figure out how to receive some higher-value orders, e.g. supply of products to brand owners directly.

Several years ago, Wang Ran and her husband built a new house in their hometown in Hunan Province. Wang Ran feels very happy. The couple has a son in grade three and a daughter in kindergarten. Six certificates of merit her son got at school are prominently displayed on the wall of the living room. Wang Ran looks at them fondly, and expresses her wish that the children would receive higher education because all her efforts are for the children and for the whole family to live a better life. ✓



Bathroom accessory manufacturers and shops in Shuikou Town



Mom-and-pop Stores

There are close to seven million mom-and-pop stores and family-operated small convenience outlets all across China, according to 2018 retail data released by Kantar, a global data and consulting company. They contribute 40 percent to the total retail sales through various channels. About 30 percent of the mom-and-pop stores are based in villages and rural areas, while 46 percent of them are in third-tier and county-level cities.

At the commercial level, mom-and-pop stores are still small businesses. The initial investment comes mainly from household savings, and there is almost no extra labor cost in operation. With a small turnover, these stores mainly aim at making both ends meet.

This business model is an integral part of the socioeconomic foundation since it contributes to revitalizing the economy, generating employment and improving people's well-being.

But when mom-and-pop stores fall short of working capital, they often find it difficult to get loans from traditional financial institutions due to their micro size, low turnover and lack of collateral, etc.

Yang Qingqing and her husband were opening a homestay in Hangzhou. To upgrade the business environment, they were in urgent need of money for decoration. The couple finally obtained funding support from Youxin Financial. Lily and her husband were launching a fragrance store in Shenzhen. They wanted to introduce their Taobao store on Tmall before the Double 11 Shopping Festival in 2017, but they did not have enough money. Failing to get a bank loan in time, the couple borrowed RMB150,000 from Youxin Financial.

The key to solving the financial problems of mom-and-pop stores lies in how to efficiently provide unsecured credit service to them and shore up their liquidity. In this area, fintech can break new ground.

Youxin Financial's customers include many couples like the two mentioned above. Because of their good credit record, they are able to obtain money from Youxin Financial quickly. Youxin Financial, driven by fintech, is able to massively serve their funding needs.

Thanks to the support of fintech, these couples are in a position to make life of their families better.



Name: Yang Qingqing

Age: 37

Loan Amount: RMB150,000

City: Hangzhou

Term: 36 installments

Industry: Homestay

Purpose: Homestay decoration

09. From happy farmhouse to boutique homestay in Hangzhou

“Hello, please confirm your order.” The homestay proprietress Yang Qingqing’s mobile phone was ringing off the hook.

Yang answered the phone while taking her eight-month-old second daughter to sun on the rocking chair in the yard. Since the opening of the homestay she has operated with her husband Lu Qiang in 2014, they have enjoyed a peak season lasting more than half the year, from March to mid-October every year. During this period, rooms are sold out almost every day.

Hangzhou is a popular tourist destination in China. The homestay is located in a mountainous area with a bamboo forest in Changlu Town, Fuyang District, Hangzhou City, about one and a half hours’ drive from downtown Hangzhou. Most of the guests come from Hangzhou and surrounding areas.

Yang operates a typical family-run homestay. She handles customer reception and her husband is responsible for finance and logistics. Wife and husband have very different personalities — Yang is enthusiastic



Lu Qiang was fully responsible for the design and decoration of the homestay

and straightforward, good at exploiting the market and makes friends with many in-house guests. These guests become repeat customers. Lu, on the other hand, does well in financial planning and keeps the accounts in order.

The three-story homestay has a total of nine rooms. Based on hotel prices around Hangzhou, Yang Qingqing sets the room rates at three levels: RMB380, RMB680 and RMB980. In the peak season from March to October, there is no discount on room rates, whether weekends or work days. During non-peak season, a 30% discount is offered for one night per room, and full price is applied at weekends. Both husband and wife are very careful about the daily expenses of the homestay. Lu undertakes food purchases in person, and the chef is an aunt from the village to ensure the food is made in the authentic local style.

"The people in the city like to eat farmhouse meals and look at the bamboo forest on the

weekend, to relieve pressure," Yang said.

"Homestay is actually a lifestyle", Lu said, after listening to his wife intently while enjoying black tea. The entire homestay was designed by Lu and decorated with solid wood. Lighting accents, bedside, swings, clothes racks and other decorative necessities are all made of wood Lu found in the bamboo forest. During the house remodelling period, Lu spent time in the mountains every day to collect materials and decorate them in suitable places according to the shape and characteristics of wood.

Lu spent RMB30,000 building a mountain spring water pipeline so guests can enjoy free spring water. The staff members of the homestay, from chef to cleaner, are all village residents. The number of temporary staff each day is determined by the workload in the season, and wage is calculated at RMB150-200 per person per day. "Employing temporary staff is actually a win-win solution. If there are many guests, we will ask more



people to lend a hand; if guests are fewer, fewer people will be hired. The residents in the village must take care of their farmland and take time to do their own things.” Their own land, self-built houses, flexible employment options and low daily expenses have made Yang and Lu firmly believe this is the right way to operate a homestay.

Five years ago, Lu was a fashion designer who ran a garment factory. Though he earned a lot of money, Lu was often too busy to have a meal. Gradually, the “slow life” became the couple’s biggest wish. In 2013,

non-standard accommodation emerged in the tourism industry of China, and Lu thought about the land in his rural hometown. The couple saw a rare opportunity, and in light of declining revenue in the apparel industry, they decided to make a change. In 2014, their homestay was officially open for business.

At that time, China was promoting the upgrading of consumption structures, hence homestays enjoyed real benefits upon being opened. In 2015, the State Council issued the “Guiding Opinions on Accelerating the Development of Consumer Services to

Promote the Upgrading of Consumption Structure”, encouraging the active development of “inns, homestays, short-term and long-term rental apartments”. With policy support, non-standard accommodation became wildly popular. Subsequently, the local government of Fuyang District in Hangzhou began to actively promote the development of homestays to take advantage of its particular geographical advantages.

In order to speed up development of the homestay industry, the local government introduced a homestay industry development project and fund management measures, setting up special funds aiming to directly subsidize the model homestays with rewards. “In 2014, it was not popular to say ‘homestay’. Instead, it was called a ‘happy farmhouse’. At that time, I felt the interior design of traditional hotel was a high-end style. But when we ran the business, we found people from the city would hope to experience a more natural lifestyle in the countryside, and the design would play a crucial role,” Lu said. He added that the policy had exceptionally good timing, and he decided to renovate the homestay that had just been in operation for two years.

“The opportunity was really good, but the renovation costs of more than RMB1.5 million would not only drain all the money we earned in the previous years, but also make us owe some renovation expenses,” Yang said, still admiring her husband for his courage and vision. In order to achieve the most satisfactory results, the couple temporarily closed the homestay for more than half a year.

Fortunately, the town government subsidized renovation and design costs to the tune of RMB500,000 after comprehensive evaluation of the homestay, which greatly eased the couple’s financial pressures. Because of a good credit history, Lu successfully borrowed an unsecured loan of RMB300,000 from a rural credit cooperative. However, there was a

gap of nearly RMB200,000, even with these fund sources. RMB200,000 was, in the grand scheme of things, not a lot of money, but Yang still needed to carry out daily homestay operations. And this was during peak season, when the couple would have to pay wages to temporary staff. This, naturally, made Yang worry about money. She considered seeking help from her in-laws, who ran a small business in the town, but they themselves were preparing renovations, and they had no money to spare. Yang remembered her friend quickly obtained loans through Internet finance, so she tentatively submitted the request onto the loan platform Youxin Financial. The approval process was fast. In less than one day, they got a loan of RMB150,000, and their operating pressures were immediately alleviated.

The renovated homestay opened for business on May 1, 2017. The room rate doubled from the average RMB200 per night before the renovation, and turnover in the second half of 2017 amounted to RMB500,000 with net profit reaching RMB300,000. So the couple’s income has also achieved an “upgrade”.

“I am the first person in town to run a boutique homestay. My husband and I have been encouraging people in the town to develop homestay businesses. So far, three have opened successively in the town,” Yang said. She does not think more homestays would bring them competitive pressure; instead, she believes economies of scale in the town would be best for individual development.

Lu is good at planning. He and his wife have an “eight-year plan”. Since 2018, the plan’s fourth year, they have begun to build a second homestay expected to open in May 2019. In response to the policy of developing low hills and gentle slopes and promoting ecological “slope villages and towns” in Zhejiang Province, the couple plans to build houses on the mountain slope and jointly develop a more ecological leisure and resort area with partners in the next few years. ▣



Name: Lily

Age: 41

Loan Amount: RMB150,000

City: Shenzhen

Term: 24 installments

Industry: Perfume making
and sales

Purpose: Launching shop at
Tmall

10. The couple's fragrance of success: a perfume store goes online

Lily, who owns the “Venus Perfume” store borrowed RMB150,000 from Youxin Financial in 2017. Along with another RMB20,000, it was just enough for her to pay the deposit of RMB110,000 for launching a store on Tmall, the online shopping platform operated by Alibaba Group, with RMB60,000 left to cover Tmall's operating expenses.

For nearly a decade, Lily and her husband

Kevin had been involved in the perfume retail and wholesale business in brick-and-mortar stores. E-commerce has boomed for years, and its impact on the business at her physical store forced her to take action. She realized that, to survive, she had to open a Tmall store as soon as possible.

Their perfume store is located in the famous Sungang Craft Area in Shenzhen. When Lily



Lili's perfume business was the most prosperous during 2011-2013

opened her store in the area 10 years ago, she had never considered what it would look like today, nor had she thought about the ups and downs of her business. At the height of her business, she ran four stores and a processing plant of 3,200 square meters.

During the Spring Festival of 2008, freezing rains swept across most of southern China, resulting in cut-offs to water and power supplies as well as traffic disruptions. Many migrant workers, including Lily, were unable to return to their hometowns to celebrate the Spring Festival. Back then, she had been working for a perfume company called Rose Life for a few months. After quickly mastering the skills, she decided to start her own business. The unexpected freezing rain kept her in Shenzhen during the Spring Festival, so she rented a stall in the flower market to sell perfume gift boxes to tourists. She regarded it as "practice" before officially starting her

own business. "The business was so good in those days. We were busy from 8 a.m. until midnight."

Then, she officially started her own business. Her husband Kevin became her partner, and he acted as general manager, accountant, perfumer, dispatcher and warehouse manager. Their mom-and-pop store officially opened its doors.

From choosing a store location and registering a brand to developing formulas and packaging products, the whole process demanded great efforts from the couple, who were exploration and learning along the way.

After overcoming the first years of difficulties and setbacks, they gradually established a customer base and quickly opened three branch stores. In 2012, they rented a

3,200-square-meter factory in Dongguan and opened their own perfume processing plant.

The years of 2011 to 2013 proved optimal for their perfume business. “Some guests came to the store and directly specified which product they wanted. Then we packed it immediately. We delivered 50 to 60 packages to Hong Kong on daily basis,” Kevin said. One package contains 48 sets of products. Calculated at the price of RMB20 per set, the turnover of goods delivered to Hong Kong alone was more than RMB50,000 a day.

However, the mobile Internet era changed everything.

E-commerce most directly impacted their physical retail and wholesale stores in terms of turnover. The average monthly turnover of the couple’s perfume stores, normally RMB5–6 million, fell by nearly 50%.

The couple retained the flagship store located in the Craft Area, but successively shut down the other three branch stores. Kevin pointed to a building not far away and said, “Our store in that building went out of business. We paid a takeover fee of RMB260,000 in order to rent that store, but now we can’t find anyone to take over the store at that price, so we had to shut it down. Another store in Huaqiang North Commercial Area closed in less than three months.” It was a hard time not just for him, but for brick-and-mortar retail stores.

You either evolve to follow the trends and find new opportunities, or wait to perish. Everyone would prefer the former, but it demands wisdom and change.

The couple had been thinking about a business transformation for a long time. The most direct approach was to open an online store at Tmall.

Unlike young online store owners whose business took off through Taobao from the

beginning, Lily and Kevin were born in the 1970s, and have long been accustomed to traditional marketing methods. To open an online store now, they had to learn new things, including competitive rankings and store design, as well as complicated online marketing approaches.

“Previously, we had to pay tuition fees to gain skills. Today, it is the same,” Kevin said in Cantonese.

The key lies in how to pay in a cost-effective way as well as how to calculate the user click fees and whether the buyer will “favorite” the store after completing the purchasing process. Now Kevin is quite familiar with each of these steps. Every once in a while, he conducts data tests, replaces keywords with a low click-through rate, and does many other things to keep users coming back.

Nothing good comes easily. Their original plan to enter Tmall and participate in the Singles Day Shopping Festival did not go as planned, as Tmall requires merchants to prepare various documents and the review process was slow.

They were upset. The main reason why they chose to borrow money from an online lending platform was their urgent need for money.

With good credit, the couple have a credit card limit of nearly RMB100,000 to finance business whenever needed. Meanwhile, they enjoy unsecured bank loans guaranteed by the shopping mall where their store is located, with an annual interest rate of around 11%. Compared with online lending platforms, these obviously cost less.

However, “the procedures are too complicated. If you borrow money from the bank, it takes at least two to three weeks from submitting the application to receiving the loan. We couldn’t wait that long. In short, low efficiency is a problem. For people in business, efficiency is money. By contrast,



The perfume bottles are all from Jiangsu, with each order worth RMB50,000 or above

online lending platforms are more efficient,” Kevin said.

Earning money at the fastest speed is the top priority.

All businessmen know that business generates money. Money rolls in and out.

“Every time we receive an order, whether to accept the order or not mainly depends on if there is a glass bottle for the perfume. This is a major portion of our costs. The glass bottles need to be purchased in time and paid in cash,” Kevin said. Their perfume bottles are all from Jiangsu, with each order

worth RMB50,000 or above. They can’t have too much inventory, and have to make emergency purchases when big orders come in. This cash isn’t always readily available.

“We won’t suffer a loss if we borrow money to buy bottles. We borrow money to run the business, not to consume,” he said.

Lily showed an interview article from a Hong Kong tourist magazine that featured her perfume store. She scanned the magazine article and mounted it on a frame. Exquisite perfume bottles, decorated with flowers and rattan, neatly line the wall of her store, filled with fragrance and the signs of success. ✓



Name: Zhang Qinghua

Age: 41

Loan Amount: RMB70,000

City: Weifang

Term: 36 installments

Industry: Pig farming and sales

Purpose: Scale-up of business

11. Black pork: from mountains to markets

Zhang Qinghua, who was recently invited as a representative of the agricultural business owner from Weifang City to attend an agri-product expo hosted in Changsha City, Hunan Province, saw his national business in black pig farming take off at the event. That sign of success, however, has been years in the making.

Zhang and his wife have been in the livestock farming business for almost seven years. Zhang's business began in 2012 when he transformed the woodland that his grandfather had leased for wood processing into a livestock farm.

This 133,333-square-meter farm is located in the mountains, with a lease term of 30 years. Given the long distance from downtown, the yearly rent was low, below RMB10,000. In the first few years, he raised about 100 goats there. In the past three years, he added chickens and pigs. Now he breeds over 2,000 chickens, 200 goats and 700 pigs.

Zhang has applied a tiered breeding system at the farm. The lowest hill is used for goat and chicken breeding, while the upper hill is for pig breeding. He said that this system, the result of years of experience, can maximize the efficiency of land use.



Competition in the farming market is very fierce. Zhang Qinghua must differentiate his offers in order to win competition

Before breeding livestock, Zhang was in a completely different industry and knew little about the livestock business. He was clueless about everything from what species to raise, the input/output ratio, and how to achieve maximum profits through capacity expansion. With these questions in mind, he consulted several experts in the industry, who all had dozens of years of experience, and, in Zhang's words, could do a better job calculating livestock feed than computers.

After a round of market surveys, Zhang decided to start with goats and hired an expert to work full time. Though they worked hard, things did not turn out well. "The first three years were so difficult. I invested about RMB3 million in total, but barely saw any

outcome," he recalled.

He then realized that he should take a differentiated approach with his livestock. Thanks to the farm's great location and increasing demands from customers, Zhang came up with the idea of raising high-end species of livestock.

This required a substantial investment in newborns livestock as well as more expensive quality feeds. Based on professional advice, Zhang decided he needed to act immediately so that he could see returns as soon as possible.

He drew up a plan and started to raise money for the project. The local rural

commercial bank, which was supportive of micro-businesses, granted him a loan close to RMB800,000, including a mortgage-backed loan and an unsecured loan. But there was still a shortage of RMB100,000. He knew from a friend that an online platform, Youxin Financial, granted loans too. After some research, he applied through the platform and was granted a RMB70,000 loan immediately.

According to Zhang, he felt embarrassed to borrow money from friends when there was a liquidity problem because they all thought, as a business owner, he should be rich. “But there were times I needed liquid cash to turn things around. It’s good that Youxin Financial processes lending applications quickly.”

With these loans, his business quickly took a turn for the better. He made investments in black goats after his white goats were sold. Before long, he purchased 1,000 chicks. Over time, as he gained greater returns, he started to invest in an expensive pig breed, the black pig.

He even employed four full-time staff members to take care of the farm, two for feeding, and the other two for feed/pig transportation.

Black pigs turned out to be even more profitable than black goats and chickens. Black pork is sold at RMB120 per kilogram, which is four times the price of regular pork, and can yield a net profitability of up to 50%. Moreover, as black pork targets mid-to-high-end markets, it remains resilient in market downturns. Now Zhang’s farm mainly produces free-range black pork. He explained that it takes one year to raise a black pig, while it only takes four to five months to raise a regular pig.

“Our black pigs are raised in the mountains on quality feeds which are absolutely additive-free. Black pork is low in fat and cholesterol, with a unique flavor. It meets consumer demands for healthy, safe and high-quality



The couple prepared the products to deliver

food,” Zhang said.

In 2018, the farm produced 400 black pigs. At an average pig weight of 100 kilograms, and a dressing percentage at 75% (excluding the guts), the total output of pork was 20,000 to 25,000 kilograms. The operational income was RMB3 million, at a selling price of RMB120/kilo. The farm’s total income was close to RMB4 million, including earnings from black goats and local chickens.

Fifty percent seemed like a pretty impressive profit margin, but expenses and costs claimed a significant portion of the earnings. For black pig feed alone, the expense was RMB2,000 a day, which was close to RMB700,000 last year. He had to do something to control the costs.

Since 2019, upon his request, staff members have started to prepare the feed themselves using corn, wheat bran, rice bran and high-fiber grass, instead of buying feed, providing proper nutrition at a lower cost. Zhang also downsized the full-time team to two staff members, whose salary is RMB4,000 per month per person; and changed the other two positions to part-time work.

Spring is a time for breeding. He said the time between March to August requires a lot of investment. After the Mid-Autumn Festival, sales go up. It enters a typical sales season in the second half of the year, which may last until Lunar New Year.

Thanks to more standardized operations,

Zhang’s black pig farming business is finally on the right track. It bred 200 pigs in 2017, 400 in 2018 and is expected to double the number in 2019. Zhang said that 2019 would truly be a good year if everything goes as planned.

A high growth rate also comes from good marketing. Zhang believed that his business is not just about livestock farming, but also service. In recent years, he has devoted more time to finding new customers and entering new markets in other provinces.

Most of the new customers have been referred by his regulars, who enjoy 20% discount at his outlets. He has built up a pool of retail customers and gained wholesale clients as well. These customers are rewarded with VIP cards. As of the end of 2018, more than 1,000 cards have been issued.

Black pork has enjoyed increasing popularity, leading to soaring prices. Zhang is aware of the fierce market competition. In Shandong province alone, each year the market sees a dozen new black pork brands.

But now that his products are sold in Beijing and Shanghai, this marks the first step toward a nationwide launch for his brand Shan Zhe Bian. While dozens of kilos are delivered during festivals and holidays, Zhang sometimes is unable to meet the customers’ needs. But he believes that customer channels and meat production need to be balanced. The business expansion should be rational and hasty decisions should be avoided. ✓



Name: Wu Fan

Age: 29

City: Xuzhou

Industry: Bakery

Loan Amount: RMB100,000

Term: 36 installments

Purpose: Business expansion

12. Youxin Financial provides dough to bakery

Wu Fan's wife dreamt of opening a bakery.

To make her dream come true, Wu Fan worked day and night in the first half of 2016 because he wanted to present the bakery

as birthday gift to his wife who was born in June. They named the bakery "Izvanredan". Izvanredan is located in the pedestrian-only zone on Xuzhou-Nanjing Road. In that zone, pedestrians can buy non-luxury items, mostly



For Wu Fan, quality is most important

snacks, desserts and inexpensive clothes.

Wu Fan was satisfied with the location of Izvanredan as it was at the main entrance to the street. With many residential buildings nearby, the customer base was huge. Wu Fan rented three floors with a total area of 500 square meters at RMB180,000 a year. He subleased the second and third floors and decided to use the first floor of 130 square meters for the bakery.

Wu Fan had a budget of RMB500,000. However, the final costs, including rent of RMB180,000, franchise fee of RMB200,000, store ownership transfer fee of RMB90,000,

renovation cost of RMB160,000 and RMB150,000 on equipment and display cabinets exceeded the budget. In particular, the renovation cost, which included the expenses for the drainage system, central air conditioning and semi-finished processing room, was more than he had expected.

Wu Fan invested all his savings but still found it impossible to meet the cost. Wu Fan and his wife did not have property in Xuzhou to mortgage. Although local commercial banks offered loans to micro and small enterprises, they required applicants to provide turnover record and other documents. Since the bakery had not opened yet, the couple could not submit the needed documents.

The couple was in a tough spot. Just then a friend who had borrowed from a fintech platform referred Wu Fan to Youxin Financial. Wu Fan decided to try it. His RMB100,000 loan application was approved on the second day of filing, providing him the funds he needed. Although RMB100,000 is not relatively a big amount, it was a lifeline for Wu Fan.

With the funding support of Youxin Financial, Izvanredan opened for business in late May 2016.

The couple was new to bread-making. Although the franchiser sent professionals to train them, the bakery suffered a serious waste of raw materials in the initial period. "The bakery hardly made money in the first six months. There were too many headaches. For example, what's the price of each bread product so that the price could bring profit and conform to the standards, which type of butter would attract consumers to buy repeatedly and how to display the products to stimulate appetite," Wu Fan said.

To solve these problems, the couple worked hard every day. They spent lots of time studying the recipes and ingredients with bakers in the bakery, or went to



The bakery “Izvanredan” is located in pedestrian-only zone on Xuzhou-Nanjing Road

other bakeries to see their practices. In the second year, Wu Fan managed to enhance his understanding of the industry and management, guiding Izvanredan onto the right track.

Wu Fan now knew the spending and revenue of his bakery. The cost consisted of rent, ingredients, staff salaries, utility bills and equipment depreciation cost. On a daily basis, the rent was about RMB500, the labor cost of 12 employees about RMB1,200, the depreciation cost of equipment given a three-year depreciation rate about RMB100, and the water and electricity charges were about RMB70, based on which the bread products were priced. In 2017, Izvanredan reported a monthly profit at RMB100,000-130,000 and

a yearly profit of RMB1.2 million-1.56 million.

Since bakeries do not require a high threshold, Wu Fan began facing more and more competition. While the revenue was good, in 2017 alone, three new bakeries appeared on the pedestrian street, one of which opened bang opposite Izvanredan. Wu Fan said he was not worried about the competition, because he was prepared.

Wu Fan has his own way of encouraging his employees: During recruitment he asks about salaries other bakeries pay to ensure he pays more than his competitors. Currently, he pays an employee a monthly base salary of RMB2,400, representing an increase of RMB600 over two years ago. Besides,

when an employee sells RMB3,000 or more of products in a day, he or she gets sales commission.

“Quality matters the most in competition. We never sell previous day’s bread and offer the leftover products of the day at a discount. However, our nearby bakeries don’t do this,” Wu Fan said. What’s more, he prefers to use the best ingredients although that shoots up the cost. Pointing to the butter in the kitchen, he said a box of butter costs RMB1,600, but the quality was much better than the one that costs RMB800 which is commonly used in the industry. So, the high price was justified.

In 2017, Wu Fan recovered his previous investment, and his bakery began to make profit. Presently, he is planning to open another bakery. However, if he continues to be a franchised dealer of the current brand, he needs to pay another franchise fee of RMB200,000. His wife is encouraging him to launch a brand of their own. In this way, they can make uniquely flavored products and become franchiser in the future.

More importantly, the locals do not have much awareness of existing bread brands,

and no single bread brand can monopolize the market of Xuzhou. Because Izvanredan already has a big number of return customers, the development of its own brand and own supply chain will not lead to a big change in taste, and thus the customer onboarding cost will not be high.

Wu Fan is planning to renew his rental agreement when time for renewal comes up in 2019 and to channel more money into changing the second and third floors to a plant. Bread products made in the plant will be delivered directly to the chain store for sales. He has already picked a new store in Wanda Plaza. Direct delivery of finished products will minimize the cost.

Wu Fan believes the revenue of the new store in Wanda Plaza will exceed Izvanredan because more people visit Wanda Plaza and good taste will raise the product price. In the days to come, he must learn how to build his own brand, how to manage the chain store and how to do financial planning and management well.

The bakery has now become a part of the couple’s life. ✓

Hard-working New Urbanites

China has witnessed the fastest pace of urbanization in the past two decades. In 2011, urban population in the Chinese mainland exceeded the countryside for the first time in history, a milestone in the urbanization drive of China.

The collective transformation of a group of people goes hand in hand with the country's urbanization. They leave their hometown in the countryside for cities, and work hard to settle down there, creating a better life with their talent and hard work.

Liu Hong, who studied architecture in university, bought a home and got married in Nanjing. It took him seven years to establish his decoration company after working as property agent, property insurance broker and wealth management sales agent. When he was trying to establish the company, he found it impossible to get a bank loan as he did not have the social security documents and proof of provident fund payments. Li Hai, 30, came to Shenzhen from a village in Hunan Province, and he already regards Shenzhen as his second hometown. It took him eight years to open a Hunan cuisine restaurant after working as an apprentice at a restaurant. Unfortunately, when he wanted to renovate his restaurant, he faced the same dilemma as Liu Hong - ineligible for bank loan as he had no property in Shenzhen. Yet, both Liu Hong and Li Hai were fortunate because Youxin Financial was there to lend them a helping hand.

Both of them symbolize the new urbanites in the new era. According to the Development Report on Chinese Youth (2013) No. 1: Rise of New Immigrants to Cities published in 2013, about 150 million new immigrants moved to cities in that year.

As of the end of 2018, about one-quarter of micro and small business customers of Youxin Financial were recent immigrants to cities. After leaving their hometown, they start from scratch and face lots of challenges in an unfamiliar environment. Painstaking efforts are indispensable to their transformation to new urbanites.

To establish their roots, they have to tackle challenges from every aspect, e.g. building ties, unfamiliar environment and financial problems. What are the ideal financial services for ambitious people who want to find their footing in big cities? Micro and small business owners are the basic constituents of socioeconomic life, but they are hardly served by the traditional financial services, putting them in a disadvantage when they need money. Back in their hometown, they can ask relatives and friends for help, but in the cities, they are often rejected by the credit system of traditional financial institutions since they have neither fixed assets nor friends who can provide them with guarantee.

However, as long as they have good personal credit record, they can seek help from fintech companies like Youxin Financial, and continue to pursue their dreams in big cities.





Name: Liu Peng

Age: 36

Loan Amount: RMB110,000

City: Nanjing

Term: 36 installments

Industry: Lighting fixtures & fittings manufacturing

Purpose: Purchase of raw materials

13. Youxin Financial lights up Gansu man's journey in Nanjing

The turnover of Liu Peng's lighting fixtures and fittings company from January to October 2018 exceeded the whole of 2017. Ten years ago, Liu Peng could not have imagined that he would live such a good life – a company with an annual turnover of RMB1.5

million and an annual profit of RMB600,000-700,000, and a two-story house.

Liu Peng left Gansu when he was 20-year-old and became a migrant worker in northeast China, 2,000 kilometers away from his

hometown. However, the northeast went into recession. In spite of the hardship, he was determined not to return to his hometown because he was unwilling to repeat the life of his father – spending the whole life in his tiny town.

In the autumn of 2009, Liu Peng went to Nanjing by train. Although playing an important role in China's foreign trade, Nanjing was impacted by the 2008 global financial crisis, with its exports severely hit and economic growth decelerating. Nanjing began exploring how to transform its foreign trade, and decided to focus on service outsourcing. In this area, there was an enormous demand for skilled workers.

Unfortunately Liu Peng did not have a good educational background, so he found it hard to get a job. Finally, an owner of a lighting fixtures and fittings shop employed him and asked him to look after the shop. "At that time I did not even dare dream about settling down in Nanjing," Liu Peng said.

After working at the shop for several years, Liu Peng developed an understanding of industry. "The industry is highly profitable. The profit margin for wholesalers and retailers is at least 50 percent. A lamp costing less than RMB300 is sold for RMB800-900 by wholesalers and up to RMB1,200 by retailers. It's extremely profitable," he said.

After 2008, China's property market progressively returned to prosperity, attracting more investment in housing. New residential communities emerged one after another in Nanjing, boosting the building material sector.

The booming market encouraged Liu Peng. He wanted to set up his own company.

"I wasn't well-connected when I launched the company. I got first customers through the local association of lighting industry," Liu Peng recalled. In the initial years of the

company, Liu Peng and his employees completely devoted themselves to their jobs. They went on business travels to attract clients or worked at the factory around the clock. After several years of efforts, Liu Peng became the owner of a factory of more than 200 square meters and a headcount of over 20. However, Liu Peng, who made a fortune from the favorable macro-environment then, did not expect that he would soon face a setback.

The government unveiled an array of real estate control policies around the National Day in 2016. The move immediately impacted the local housing market, sharply reducing the turnover and dampening the enthusiasm of developers to market new property. Against this backdrop, the lighting fixtures and fittings segment, especially those for residential use, which occupied a small share in the decoration sector, began to shrink.

In the meantime, the energy shortage problem was becoming increasingly prominent in China. According to data, electricity consumption for lighting is about 12%-15% of total electricity consumption each year. Therefore, the lighting industry started to enthusiastically develop LEDs that use less energy and last longer than traditional light sources. On the whole, after more than 20 years of development, China's lighting sector has grown into an industry with an output value of over RMB100 billion. Now, products are not limited to traditional simple lighting, but have diversified into special lighting and energy-saving.

Liu Peng had to align his company's products and sales channels with the environmental changes.

"The housing market dropped in 2017, which immediately reduced the demand for lighting fixtures and fittings because the industry is closely related with real estate. Residential lighting is anyway not a big market. For example, to decorate an apartment of two

bedrooms and a living room, it usually needs 10 lamps. The price of small ones is over RMB10 each, while that of big or luxury ones is RMB1,000 or so each. So the total spending is about RMB3,000 to RMB4,000 only," he said.

Acquiring customers is not easy. "There is fierce competition, and decoration companies like ours face multiple competitors ranging from home decoration websites to property manager-designated companies. Usually we are able to grab just 10 percent of the prospective customers," Liu Peng said. And, when people decorate, they usually buy lamps at the final stage, and have to cut

the spending on lamps because they have already spent most of their budget.

Office decoration is more profitable than home decoration. Liu Peng gave an example of providing lighting for a supermarket with an area of 8,000 square meters. Since the quantity was large and the unit price was bigger, he made a profit of RMB250,000-300,000 from the total sales of RMB500,000.

Recently, Liu Peng received a big order - providing lighting fixtures and fittings for a supermarket. Apart from the supply of those products, there will be subsequent



maintenance fees, which will bring higher returns.

In addition, Liu Peng plans to seek industry upgrade, for example, also engaging in the design of lighting. According to him, many cities are now carrying out “image enhancement projects”. A good night view requires a proper lighting design since different bulbs create different color tones. Liu Peng wishes to have more city lighting engineering orders.

However, the expansion of business calls for more inputs in addition to improving the expertise, enhancing technical capacity and knowing design.

Liu Peng recalled that he was very excited when he secured the order of designing cityscape for a street in a city in Jiangsu Province, but he soon found that he did not have enough capital.

The schedule was tight. Liu Peng urgently needed RMB200,000 to purchase a large quantity of raw materials. Since his business was expanding, the liquidity was strained. Given that banks charge lowest interest rate, Liu Peng went to a commercial bank with his business license, ID card and bank card. “When I was told by the bank that I had to provide lots of documents, I was really worried. What’s worse, I was informed that it would take a month for the loan to be approved. I could not wait that long,” Liu Peng said.

“I did not want to borrow from friends because I was reluctant to owe them a debt of gratitude.” Then an idea struck him. Why

not try the fintech platforms recommended by one of his friends. He searched several such platforms online to compare their limit, interest rate and terms. Most of the platforms only gave several thousand Renminbi, which wasn’t enough to meet the funding needs of Liu Peng. Finally, he discovered Youxin Financial, a fintech platform for micro and small enterprise owners. Liu Peng applied for and got the loan of RMB110,000 on the same day. Together with his savings, he had all the money required for the project, and signed a contract with the local government in time. The design cost would account for 3-8 percent of the total engineering cost, and any change in the design would increase the share to 12 percent. So, Liu Peng could make a gross profit of hundreds of thousands of Renminbi from the street’s cityscape engineering project.

Over the past few years, the raw materials for lighting fixtures and fittings manufacturing have become more and more expensive, and the labor cost has also increased. However, this has not had a big impact on Liu Peng’s business because of the high profit of wholesale and retail.

Through sheer hard work, Liu Peng is now firmly settled in Nanjing, and is expanding his business there. All his family members feel proud of him. He encouraged his brother to move to Nanjing from Gansu and work with him. Now, his brother has also set up home in Nanjing.

Recalling his difficult entrepreneurial journey, Liu Peng looked up at his wife and daughter and said, “They endured hardships with me. I will make greater efforts to further improve their life.” ✓



Name: Liu Hong	
Age: 32	Loan Amount: RMB50,000
City: Nanjing	Term: 36 installments
Industry: Construction	Purpose: Start-up of decoration company

14. 'New Nanjinger' finds calling in remodeling

In February 2015, Liu Hong registered a company in Nanjing City providing one-stop service for house remodeling and leasing, marking his debut as an entrepreneur.

In the past six years, he had been a sales representative in a financial institution in Nanjing, selling real estate, property insurance

and various financial products. Of these three areas, real estate sales had the only connection to his architecture major at university, and his connection provided a starting point for later creating his business.

His initial operation model was quite simple. Liu contacted some old clients and learned



why they purchased their homes, identifying three areas: for their own use, rental or investment.

Liu offered services to address any of these needs. “Whether the client wants to live in the house or rent it out, home remodeling is an inevitable process. Then I will ask my team to work on the house. If the house is for rent, I will help rent it out and earn some service fees.”

Initially, Liu balanced his own job with this

part-time business to earn some extra money. After two or three years, his business had become increasingly stable, so he officially registered a company.

Liu had some savings. But he had nearly used up the money, since he bought a house in 2014, got married in 2015 and had a baby in 2016. “My parents are living in the countryside, and my relatives and friends are not that well off. The down payment of RMB300,000 came almost entirely from my own savings. Getting married and having a baby further increased living expenses. The total expenditure was no less than six or seven hundred thousand.”

Liu Hong said, as a newcomer to Nanjing from a small place, he had enough enthusiasm and energy to work hard.

When he registered the company, he only had RMB50,000 left. However, the company registration, rent and remodeling required about RMB200,000, which created a gap in funding.

Liu was still determined to set up his own company. “I had planned to start my own business, of course, to make life better.” He had left his hometown in Henan and came to Nanjing carrying only RMB200 many years ago, but now proudly calls himself “a new Nanjinger”. He said he has a clear goal in life and has noted down his specific plans in a notebook. “I want to clearly know where I’m going.”

So when he wanted to register a company, securing money was first on his to-do list.

Since he had borrowed some money from relatives and friends when buying the house, he was too embarrassed to ask them money again. Moreover, his employer did not provide a social insurance and housing fund for him, and he could not get a loan from the bank.

Liu added, “Some micro and small companies

work with affiliated companies in upstream and downstream industries to provide a mutual guarantee for one another. Maybe they can borrow some money, but with limited credit. It also poses the risk of joint liability.”

Liu could apply for a mortgage since he just bought a house, but he didn't consider it worthwhile. After all, it's not that much money.

Though he faced funding difficulties, Liu had never thought of postponing the founding of his company.

After researching different borrowing channels in the market, Liu finally got a loan through Youxin Financial, an online lending

platform.

After more than two years of development, Liu's company has a team of more than 20 employees, with an annual revenue of RMB2 million and a net profit of more than RMB300,000. Combined with the annual income of RMB150,000 from his other job as a sales representative, Liu earns more money compared to his peers in the same region.

“If I hadn't started my own business and become my own boss, this change would not have been possible. Setting up my own business was only a matter of time.” Liu's one-stop service has even withstood the fluctuations in the entire real estate industry.

The company was registered in February



Liu Hong said, as a newcomer to Nanjing from a small place, he had enough enthusiasm and energy to work hard

2015 and the second quarter of 2015 witnessed a low point in the real estate industry over the previous two years. Rapid growth in the next year served as strong evidence for the viability of Liu's remodeling business.

Then the government introduced a series of property market regulation policies to control real estate bubbles, and Nanjing City recently implemented a policy where "tenants and homebuyers are treated equally". As a result, many homeowners in Nanjing started to remodel and rent their houses, which provided a further boost to Liu's business.

Liu believed that the loan from the online lending platform was an important push for him to implement his plan, and sees his company as gradually getting on track. "Our

business does not need a lot of operating funds, so there is no problem with liquidity. After getting on track, it does not require additional funds unless you want to expand your business."

According to Liu's plan, his company's annual sales revenue will increase from RMB1 to 2 million in the next 10 years. When asked about how to select from funding channels to support his business expansion, Liu said, "Now the market is not the same as before. With so many borrowing channels available, I will definitely make a comparison, and choose the most appropriate one."

He said that new Nanjingers who come from small places like him don't lack enthusiasm and strength, but often lack startup funds that could help them settle down in big cities. ✓





Name: Ma Dexing

Age: 48

Loan Amount: RMB150,000

City: Beijing

Term: 36 installments

Industry: Fruits

Purpose: Procurement

15. Youxin Financial helps wholesaler enjoy fruits of his labor

It's 3:00 a.m., but the Xinfadi Wholesale Produce Market outside the southern Fourth Ring Road of Beijing is already full of hustle and bustle. Trucks are busy loading and unloading, and they are in a hurry to transport the freight out of the downtown before the traffic control policy comes into effect at 6:00 a.m. Xinfadi is the largest distribution center of agricultural products in North China, and delivers thousands of tons of agricultural goods to a large number of cities in the northern part of China.

Ma Dexing runs wholesale business of high-quality fruits in this market. He comes from Liangshan Yi Autonomous Prefecture in Sichuan Province. At 6:00 a.m. Ma Dexing lights up a cigarette after dispatching the last truck of lemons. 2019 marks his 13th year in Xinfadi. His business has scaled up from a stand to the present two-room store.

Ma Dexing sells four kinds of fruits: Sichuan Anyue lemon, Guangxi passion fruit, Yunnan Mengzi pomegranate and Australian orange,



Ma Dexing is running his wholesale business in Xinfadi for 13 years

with total sales of more than 3.5 million kilograms per year, and an annual income of more than RMB40 million. They are mainly sold to four large supermarkets in Beijing and northern provinces, principally Inner Mongolia. After deduction of miscellaneous costs, the annual profit comes to RMB3 million, and the profit margin is about 8%.

Lemon and passion fruit are the main products of Ma Dexing's business. Lemon is less perishable than other fruits, and can be stored for up to one year. There is a stable market demand for it.

"I buy lemons at RMB6 a kilogram and sell them at RMB9. What's more, they sell well and bring me stable returns. I sell all the lemons I buy in a day," Ma Dexing said.

Passion fruits are selling like hot cakes in the market these days. The difference between the purchasing price of RMB12 a kilogram and the selling price of RMB20 at the highest make passion fruit the most lucrative among

the four kinds of fruits sold by Ma Dexing.

However, doing business in Xinfadi is not easy. Store owners change frequently. According to Ma Dexing, it is very hard for small businesses to survive these days. The rise in rent and the bidding price year after year alone can scare off many businessmen.

"My rent is more than RMB100,000 a year, but the bidding price is RMB3 million. The stores close to the street require a bidding price of RMB6 million," Ma Dexing said, pointing to a bigger store with a better location.

When asked about the business costs, he immediately mentioned "shortage of money". "We businessmen are often short of money. For example, in September and October every year I spend almost all the money in hand on replenishing the stock," he said.

Fruit wholesalers usually buy large quantity of fruits in advance when the market conditions

are favorable to prepare for the sales in the next year.

Overall, the purchase cost accounts for 80 percent of the total cost. Warehousing, transportation, rent, and labor take up 15 percent, and the other five percent is the cost of fruit loss (a loss rate at about 15 percent). The thorny issue is how to address the various funding demands.

Ma Dexing prefers borrowing from relatives and friends because borrowing from banks is exceptionally cumbersome. He has to provide lots of supporting documents and complete many procedures. What's more, banks are unlikely to lend much to small business owners. So, bank loan is not a good option to satisfy his urgent demand.

Private lending, although simple is nevertheless risky. Ma Dexing gave an example. Not long ago, the apple wholesaler opposite to his store disappeared owing to insolvency. The wholesaler borrowed a large sum of money from Ma Dexing, but Ma Dexing does not have the faintest idea about the borrower's whereabouts since there is neither IOU nor any other formal document.

Ma Dexing has learned a lesson, and borrows from friends only in emergency. "Borrowing and lending among friends relies on trust. Since relationship is very important in China, people feel embarrassed to refuse friend's request. Many lend even when they don't want to," he said.

In 2017, lemons had a good harvest, and thus did not fetch a high price. The expansion of Ma Dexing's 1,000-ton cold storage warehouse in Liangshan of Sichuan Province was completed in September that year. He planned to increase the inventory of lemons by several million kilograms, which would cost RMB7.5 million. Ma Dexing invested most of his working capital but discovered that he still lacked over RMB100,000. Luckily, he saw an advertisement about the fintech



Cases of lemons dispatched from the cold storage warehouses in the hometown of Ma Dexing are ready for sales before Spring Festival



According to Ma Dexing, he uses almost all the money in hand to replenish the stock in September and October every year

platform – Youxin Financial on his mobile phone. Ma Dexing decided to try the novel fintech. So, he submitted an application, and got RMB150,000 on the same day thanks to his good credit record. The borrowing from Youxin Financial solved his immediate needs.

“My business usually has a large funding demand for millions of Renminbi, which banks cannot meet. Although I can only borrow a small amount of money from the fintech platform, RMB100,000-RMB200,000 can play a decisive role at critical moments,” Ma Dexing said, acknowledging the important role of fintech platforms.

Australian oranges do not account much in Ma Dexing’s business, but that was the first fruit he sold. More than a decade ago, imported oranges were rare in the Chinese market, and were mainly sold to high-end supermarkets with exquisite packaging and high price, which resulted in a large profit margin. But with many kinds of oranges entering the market in recent years, there are now different kinds of oranges to choose from. As a result, the market share of Australian oranges has gradually declined, forcing Ma Dexing to shift his business focus.

In 2018, he still made a fat profit on Australian oranges by buying a kilogram at RMB8 and selling it at RMB11. He sold over 650,000 kilograms of oranges in months, earning more than RMB500,000.

In 2018, pomegranates recorded poor sales. Ma Dexing said due to frost at the beginning of that year, the output of pomegranates fell, and the purchasing price rose to RMB7 a kilogram. In addition, owing to the sluggish market demand, one kilogram of pomegranates was sold at RMB8.3 only, resulting in a net loss of more than RMB600,000 for him.

The fruit industry relies largely on weather. Frost, drought or flood can hurt years of

hard work. Ma Dexing said in a good year, the annual profit stands at just about 15 percent. But even so, he has never thought of changing his business.

Thirty years ago, then-17-year-old Ma Dexing left Liangshan with his fellow villagers and began to trade imported fruits in Guangzhou. He still maintains relationships with the importers he got to know then. Seeing that China’s northern provinces had an enormous demand for southern fruits,

Ma Dexing left Guangzhou alone for Beijing to do wholesale business. Twelve years later he is already settled in Beijing and got married here.

In the past 12 years, Ma Dexing worked hard and dedicated himself to his business. Many of his business friends gave up, but he always made adjustments to align with the new situation. For example, when he could not find a high-quality supplier, he tried every means to find one and do business with him; when he found it hard to keep fruits fresh, he upgraded the equipment; when his delivery service fell behind the rivals, he bought more advanced equipment.

Despite the fact that he already has stable sales channels, high-quality fruit suppliers, and perfect cold chain storage and transportation systems, Ma Dexing still has no intention of slowing down. Talking about the future, he has a well-thought plan. In terms of products, he plans to continue dealing in the four kinds of fruits while focusing particularly on lemons for intensive sales and promotions. In terms of channels, he plans to expand several inter-provincial wholesale channels and sell more fruits to northern provinces and municipalities except Beijing.

“To realize my plan, I have to work more than a bee. If I cannot handle it, I will employ a person who knows accounting and finance to manage accounts for me,” Ma Dexing said smilingly. ▣



Name: Li Hai

Age: 32

Loan Amount: RMB43,000

City: Shenzhen

Term: 36 installments

Industry: Restaurant

Purpose: Renovation

16. Redecoration money secured: young Hunan restaurant owner who wants to plant roots in Shenzhen

There is a food street outside the International Amber Trading Market in Baoan District, Shenzhen City. It's the largest wholesale market of amber and beeswax products in China.

Visitors can taste different local flavors of China at the restaurants on the street. Amber wholesalers from all over the country are the main customers.

The 50-square-meter Hunan cuisine

restaurant of Li Hai is also located on the street. There are five dining tables in the restaurant, which specializes in Hunan cooking. Hunan people coming to the International Amber Trading Market often eat there. Some of them have even become Li Hai's friends.

Li Hai bought the restaurant from a fellow villager for RMB30,000 eight years ago. "The former owner served rice noodles here for three months. He found the work too



tiring and quit. So, I took over the place and renovated it completely," Li Hai said.

Li Hai, 32, was born in Changde in Hunan Province and came to Shenzhen 16 years ago. After graduating from middle school, he became an apprentice at a big restaurant in his hometown. In 2003, Li Hai, who dreamed of broadening his horizon in a big city, left his hometown for Shenzhen, a destination picked by lots of Hunan migrant workers because of its proximity.

Before operating the restaurant, Li Hai worked at a briefcase factory in Shenzhen and earned RMB3,500 a month. "The 2008 global financial crisis dented the performance of that factory. The owner often delayed the payment of wages. So, I decided to start my own business. I paid the money to my fellow villager in installments," Li Hai recalled.

After completing the transaction in October 2011, Li Hai became the owner of the

restaurant.

When he was working as an apprentice, staff members at the big restaurant had well-defined roles. His job was restricted to cutting vegetables, and he was never asked to cook or handle any other work. So, he had to figure out the whole operating process when he opened the restaurant.

At 8:00 a.m. every day, Li Hai goes to market to buy supplies for the whole day. Now he knows the price, quality and freshness of vegetables at each stall. Peppers are indispensable to Hunan cuisine. Therefore, what Li Hai buys most are peppers, usually dozens of kilograms every few days.

He has hired a cook and a helper to assist him in running the restaurant. When the cook is unable to handle the orders alone, Li Hai cooks, too. He is good at cooking fish, especially mandarin fish and catfish. Hunan cuisine is well known for its hot and spicy

flavors. But in Shenzhen, the spicy taste must be moderated to adapt to the common folk. "Hunan food tends to use lots of spicy oil. The weather is hot in Shenzhen, Therefore, I generally don't put lot of peppers in the dishes," Li Hai said. Of course, he always asks his guests whether they prefer spicy food and how spicy they want the dishes to be before cooking.

Li Hai places guests over everything else by "cooking every dish well, serving each customer well."

Li Hai changes the interior design of his restaurant every two years by replacing the wallpapers or repainting the walls, etc. In his opinion, people have a better appetite in a clean and nice environment.

After overcoming initial hardships, Li Hai now makes stable income from his restaurant. At the restaurant, one dish costs about RMB30-40, and one table of customers usually spends at least RMB100. "During Spring Festival, many people who don't go back to their hometown eat at my restaurant, and my turnover surges to RMB6,000 a day," Li Hai said. The restaurant opens at 8:00 a.m. and sometimes does not close before midnight.

Two years ago, Li Hai partnered with the food delivery service platform Meituan. The platform takes a 22 percent cut of each order, that is, if an order is of RMB100, the platform gets RMB22.

However, his restaurant still focuses on serving customers on the premises. The main



At the restaurant of Li Hai, one dish costs about RMB30-40, and one table of customers usually spends no less than RMB100

costs are rent and labor. Li Hai pays nearly RMB10,000 to the cook and the helper each month. To save labor cost, his wife helps in operating the restaurant. The monthly rent has progressively increased from RMB5,000 to RMB10,000. The monthly expenditure, including utility bills, stands at around RMB35,000. Li Hai can earn a net profit of RMB350,000-400,000 annually.

In 2016, Li Hai got married in his hometown, and bought a house and a car there, almost using up all his savings. When he wanted to renovate his restaurant at the end of that year, he was cash-strapped. What came to his mind first was to apply for bank loan “When I consulted the Agricultural Bank of China and the China Construction Bank in Shenzhen, they asked me whether I had a house in Shenzhen and whether I had Shenzhen hukou,” Li Hai said. Since he had neither of the two, he was not qualified for bank loan. As for borrowing from friends, he felt embarrassed to do that.

A fellow villager recommended him a fintech platform - Youxin Financial. “I compared Youxin Financial with other platforms and was satisfied with Youxin Financial. I also went to Youxin Financial's branch to meet the officers in person and came back convinced that Youxin Financial was a better choice,” Li Hai said.

Youxin Financial disbursed a loan of more than RMB40,000 to Li Hai quickly, enabling him to renovate his Hunan cuisine restaurant. “My funding demand was neither too big nor too small. Banks will not grant such a small loan to me because the lending to micro and small enterprises is usually above RMB1 million. And, I cannot overdraft my credit card so much because my credit line isn't that high,” Li Hai said.

After operating the restaurant for eight years,

Li Hai considers these factors crucial for catering business: Location, taste, service and decoration.

To generate more profit, Li Hai is planning to add midnight snacks. “Shenzhen is a city that never sleeps. One of my friends can earn as much as over RMB1 million from selling midnight snacks. It's very hot in summer. Many people like to drink beer and eat barbecue, with one table spending at least RMB200. So, I can extend the business hours of my restaurant to three in the morning,” Li Hai said.

As per rough estimates, the introduction of midnight snacks needs an investment of RMB120,000. He is now experienced in financial planning, and has already arranged the money. In the next step, he will buy equipment and recruit cooks.

What's more, Li Hai is also planning to rent another place with a better location to do food delivery business this year. “I want to work harder. I dream of settling in Shenzhen and buying a home here for my family,” he said.

In the eight years of doing business, Li Hai has often emphasized the importance of perseverance. If he does not know how to cook a dish, he will practice from cookbook over and over, or visit other restaurants to learn. He has taken part in several training programs to enhance his financial skills and he seldom closes his business, and often rests for just one day in two months.

Li Hai hopes to grow his career further in Shenzhen. “Shenzhen has lots of opportunities, and the large population will continue to create enormous demand for business. What's more, people here don't look down at nonlocals. I already feel Shenzhen is my second home.” ✓



Working Capital

Micro and small business owners are often in need of money, say, for launching a project, purchasing inventory, paying employees or buying assets.

As of the end of 2018, at Youxin Financial 63 percent of micro and small business owners borrowed money to reduce their cash-flow stress.

At present, fintech platforms like Youxin Financial usually address the capital demand of no more than RMB200,000.

Bai Jin, who runs export business in Yiwu, received a big order before the Christmas holiday, but he did not have enough money to buy the raw materials. Ma Fufeng, a tire wholesaler in Shenzhen, planned to purchase 100 tires to prepare for the busy National Day holiday season. Unfortunately, the liquidity was tight – retailers had not paid him, while upstream factories wanted him to pay upfront.

A majority of micro and small business owners have faced the same cash-flow stress as Bai Jin and Ma Fufeng. Usually their business has a steady cash flow. So, when they seek financial assistance from a third party, they are often in a desperate need for funding. Their capital demand is relatively small but urgent.

Due to the limitations of the banking system, time consuming loan process and risk pricing model, etc., it is difficult to address the above-mentioned liquidity need under the traditional credit model. To cater to the demand for “quick” funding, micro and small business owners often get access to money by virtue of their personal credit.



Name: Bai Jin

Age: 50

Loan Amount: RMB60,000

City: Yiwu

Term: 36 installments

Industry: Foreign trade in glass products

Purpose: Replenishing stock

17. Yiwu businessman sells commodities globally

The five-day 24th China Yiwu International Commodities Fair concluded on October 25, 2018. But there was still hustle and bustle at the International Trade City on Chouzhou Road in Yiwu. The area has a business space of more than four million square meters, and over 50,000 stores. More than 200,000 people work here, with a daily customer flow of over 200,000.

Bai Jin, a Yiwu native who sold glass products for nearly 20 years, recently responded to local government's call to move his store from the street to the International Trade City. When asked if he had participated in the just-concluded Commodities Fair, he said, "Of course. In this International Trade City, we have an expo every day. Business is booming here."

As a well-known distribution center for small commodities from home and abroad, the International Trade City has just about everything. From clothing, daily necessities, toys and stationery to many other products. Yiwu boasts a wide range of small commodities which are generally cheap. Businessmen from all over the world swarm into this city to buy products.

Many merchants have detected business opportunities from the large inflow of foreign buyers, and begun to tap the purchasing power of foreigners while targeting the domestic market. There are many merchants from Arab countries and Africa. Some locals have reached a long-term cooperative relationship with these global merchants, and they tailor-make various small commodities such as fruit trays, cups and vases with exotic features based on clients' needs and preferences. Bai is one of the first to enter this field.

"My foreign clients place lots of orders in amounts ranging from several thousands to tens of thousands of RMB. However, I can only make small profits. Fortunately, clients from the Middle East are generally honest and credible," Bai said. "I've dealt with them for years. Now, they know how to use WeChat. Usually, they send a photo to me and we negotiate on the price. That's it." Almost 40% of his clients come from the Middle East, another 40% from Eastern Europe, and the rest are from Africa.

Crowds of buyers and booming transactions are driving Yiwu to change from a commodity and distribution center to an international capital of commodities with a reputation for "supplying the whole world in just one city". Although increasing labor costs have narrowed the profit of the manufacturing industry in the past decade, the Made-in-China initiative still catches the eye of people around the world.

Part of the rent at the International Trade City

is subsidized by the government, reducing Bai's rental costs. The number of current customers exceeds that of the past. Bai's store at the International Trade City has a space of over 60 square meters and reports a monthly turnover of RMB500,000 and an annual turnover at more than RMB6 million. "The profit margin is low, 15%. Because of the low entry barrier, lots of people choose to do glass product business, and the competition is fierce now," Bai said.

Bai summarizes his own financial management standard for doing business with foreigners thusly: getting money back within one month in general, and no more than two months at the most. If the payment period lasts too long, there will be default risks. "For example, a foreigner comes to my store and orders products, and then he returns to his homeland. If I want to contact him in the future, I have to do that through a trade agent. However, the agent and the foreign buyer are only partners. If the agent cannot find the buyer and get my money back, I'll suffer a loss," Bai explained. Even if he is really careful, occasionally he encounters dishonest customers. According to Bai, the International Trade City has a public WeChat account, where a list of dishonest foreign customers is published regularly to give merchants a timely alert.

Bai's store is densely packed with various types of glass and metal products, mostly for home decoration. He pointed to a set of stainless steel fruit trays in the Middle Eastern style. "The fruit trays are particularly popular. Two weeks before Christmas in 2017, five customers from the Middle East ordered more than 3,000 sets, and the price of a set was a little bit more than RMB50. I had to pay about RMB150,000 in advance out of my own pocket. Plus my other client didn't pay the bill of my previous orders in a timely manner, so cash flow was relatively tight."

For Bai, the difficult part was finding a guarantee to borrow money from a local



All kinds of glass products and metalware displayed in the store

bank. But things are difficult for a small business owner like him. Even though he is a local, finding a suitable person willing to provide a guarantee is a challenge. Therefore, a bank loan was never his first choice when there was an urgent need for money.

Though private lending is very active in the local area, Bai shook his head at the suggestion. "The interest rate is too high," he said, "business like me will not borrow from private lenders."

After borrowing from relatives and friends, there was still a funding gap of RMB100,000. A friend recommended online lending platforms. "I've heard the funds would be deposited to the bank account within a short period of time, and the application procedures are not complicated." Bai decided to give it a try. He applied for a loan of RMB60,000 from Youxin Financial, and his application was soon approved. With working capital, Bai bought fruit trays from the factory without any delay and delivered to his clients in time. "Sometimes liquidity is tight. Youxin Financial lent me the money less than two days after my application. When I need money in the future, I'll still pick the

online lending channel."

Talking about plans for the future, Bai hopes to put his products online in addition to the brick-and-mortar store. He wants to try other online shopping platforms and reach the whole world over the Internet.

"The number of visitors to my brick-and-mortar store is significantly reduced compared to before, and more and more people choose to buy online," Bai said. "Look, this is the Yiwugou app for merchants and buyers which connects them online and offline." Bai immediately opened the app on his mobile phone.

The Yiwugou app currently covers 75,000 stores and 26 major categories of three million commodities. It has launched a "cross-border special-supply" column to provide reliable and convenient source channels for cross-border small and medium-sized e-commerce dealers. To date, hundreds of merchants have settled in the project, and more follow-up services for cross-border projects are under development. More platforms offer Yiwu merchants like Bai a bigger market space. ✓



Name: Lin Hua

Age: 46

Loan Amount: RMB70,000

City: Yiwu

Term: 36 installments

Industry: Pantyhose making

Purpose: Purchase of raw materials

18. Factory owner stitches brighter future with pantyhose

After sending his child to school at 7 a.m., Lin Hua immediately goes to a pantyhose factory in a residential building in Yiwu. He comes from Jiangxi Province and is now the boss of this factory. His factory was busy preparing for the “Double 11” shopping holiday. So the work started early.

“The busier the factory is, the more we can earn,” a female worker said, smiling while on the sewing machine. Lin’s factory has more than 20 workers engaging in production line work cutting, ironing and sewing. They get more pay by doing more. Workers who cut a pair of pantyhose can earn 8 cents, and each



Workers at Lin Hua's factory are mostly women aged at 40 around

worker can cut more than 3,000 pieces per day. The ironers earn 15 cents for ironing one pair of pantyhose, and each worker can iron more than 2,000 pairs per day. When the order quantity is large, the workers can stay until 10 p.m. to earn more. According to Lin, skilled workers can earn more than RMB300 a day.

Peak season comes in August, the hottest period of the year and a time when workers begin to produce large quantities of tights for autumn and winter. "There is a production cycle. If we start preparation in winter, our customers would order from other manufacturers," Lin said. The period from August to December is the time for the production of autumn and winter tights. From January to June, it is the time for stockings. Lin mainly works for large factories and supplies some of the products to customers in Hubei and Hebei provinces. This small family workshop produced more than 600,000 pairs of winter pantyhose and one million stockings in 2017.

In November 2018, Lin was busy helping

a large factory in Shaoxing City with pantyhose-making. The large factory was overwhelmed by orders for the 11-11 shopping holiday, and thus subcontracted a part to Lin's factory. "October is also the sprint phase of our order delivery, with an upcoming national shopping festival, we are really busy." After December, the demand for pantyhose plummets, and there are customer churns in case of delays in delivery.

Lin has been working in the pantyhose production sector since 2006. "My wife and I are both from Jiangxi Province. I came to Yiwu to do house remodeling in the beginning. After I had children, I wanted to work harder to make more money for the sake of the next generation. My wife was the manager of a pantyhose factory. She has experience and I can work hard. So we were determined to open one." Their factory officially opened in 2006, and has now been in operation for 13 years.

After putting the pantyhose factory into operation, Lin and his wife rented half a store in Yiwu Small Commodity Wholesale Market



There are over 20 workers at Lin Hua's factory. They engage in the assembly line work from cutting, ironing to sewing, and get piecework pays

to bring in new customers. After several years of hard work, the couple created two stockings brands and opened two more stores.

"We made a very good profit from 2009 to 2013. The whole four-story building in front of you was originally rented by our factory. There were more than 100 employees at that time, and annual profit exceeded RMB1 million." Although e-commerce platforms showed very strong momentum, Lin said he served corporate clients rather than individuals, so e-commerce has not made a big impact on his factory.

However, opportunity and risk coexist in any business. "My factory has had ups and downs," Lin said. Around 2013, lots of businessmen began to produce socks and stock them up in view of the prosperity of the business, which led to overcapacity. Starting in 2014, orders fell sharply and stocks piled up. Consequently, he had to sell inventory at very low prices and suffered a loss of around RMB3 million in three years. Lin lost all the

money he had earned in the past, and his factory scaled down as well.

After three years of adjustments in production and operation, Lin's business has made a turnaround since 2017 and orders have gradually increased. Lin decided to seize this opportunity to expand production. However, due to losses in previous years, he had to face the thorny issue of insufficient working capital.

The suppliers of pantyhose materials require payment in full before shipment. But the clients who make orders follow industry practice - the "3-6-1" payment process: the client will first pay a 30% deposit after the order is placed, then pay 60% of the costs of the goods for each batch upon receipt. When all the goods are delivered, the client will clear the final payment. "In general, all payments require a period of one to two months. When clients encounter tight liquidity, it is common to postpone payment for a few months. They are old clients, and we can't keep pressing them. After all, we still want to maintain a

long-term relationship.”

In addition, workers’ wages cannot default. Otherwise, there is a risk of worker loss. “It is too difficult to hire workers now. In order to ensure stability of employees, wages will be paid on time.”

Female workers dominate the factory, with an average age of 40. “A 40-year-old worker is definitely not as productive as a 20-year-old worker. But fewer and fewer young people are willing to provide hard labor now.” Lin sighed: a hard-working employee at his factory can earn more than RMB8,000 a month, which is higher pay than many other local jobs. Even so, it is difficult to recruit young people.

Currently, Lin needs to pay monthly wages of about RMB150,000. The annual rental expenses of the factory and staff quarters exceed RMB95,000. The replacement of production equipment, such as sewing and pressing machines, costs tens of thousands of RMB per year. In addition, there’s an inventory of RMB300,000 to 400,000 to meet customer needs. As a result, annual costs exceed RMB2 million.

Lin said he had put all the money he earned in Yiwu over the years into his business instead of buying a house or building factory. It is very difficult for him to borrow money from a bank, since he does not have any collateral. “My relatives are not in Yiwu, and my friends all run their own businesses. I have to find a guarantor to borrow from the bank, which I don’t want them to be involved in. But the factory can’t stop producing. I have to pay money on time to ensure the production line will not be stopped, workers have money to earn, and goods are delivered on schedule.”

Insufficient return will trigger a series of negative consequences. “Sometimes, money falls short for several days only. Tens

of thousands of RMB is a matter of grave concern to my small factory. This is no exaggeration.” Although Lin has done a lot to prevent risk, he cannot decide when clients pay.

In July 2017, one month before the arrival of peak season, Lin needed to purchase raw materials to prepare for the production of winter tights. There was a funding gap of about RMB100,000. A business friend introduced him to some online lending platforms and told him how to identify a reliable platform. After researching, Lin quickly borrowed RMB70,000 from Youxin Financial. With the sum plus his own funds, he made a timely payment in full.

In 2017, the whole industry recovered. Well-known stocking producers in Yiwu such as Langsha, Bonas, Mengna, and Xinbailong won a good deal of orders, and redistributed some to others. That year, Lin’s factory produced a total of 500,000 pantyhose on an OEM basis, accounting for more than 80% of total production. He believes long-term OEM is not the best way to make money, but ensuring the operation of the factory and restoring production via OEM is a new starting point for revitalizing his business.

“The advantage of producing goods for large manufacturers is I don’t have to worry about the money for purchasing raw materials, because the large factories directly send the materials to me. The disadvantage is while the risks are decreasing, the profits are also diluted.” Each pair of tights produced under the OEM model can make a profit of about RMB1, but there is a significantly higher profit if his factory is wholly responsible for the purchase of materials, production and distribution. “This is why I have to manufacture and sell by myself, even if I borrow money. If I want to develop further, I still need to rely on the production and sales integration model,” Lin said. ✓



Name: Zheng Hui

Age: 50

Loan Amount: RMB90,000

City: Jinan

Term: 36 installments

Industry: Electric vehicles

Purpose: Replenishing stock

19. Fintech gets electric vehicle salesman back on his feet

Jinan is the provincial capital of Shandong in the People's Republic of China. It's known as "the city of springs" since ancient times, owing to its many naturally occurring springs. Because of the semi-basin terrain of the city, locals prefer to ride electric vehicles than bicycles. The electric motor vehicle wholesale

market in the northern part of Jinan is the chief source of supply for the whole city. The shop of Zheng Hui is also located in the market.

Zheng Hui sells two brands: Aima and Xinfei. He has won trust of the two big companies

due to his years of experience in the field.

Zheng Hui launched motorcycle business in Zibo in 1996 after leaving the army, and became the franchisee of Jialing Motorcycle in 2001. When electric motor vehicles became popular in 2005, he moved to Jinan and became a wholesaler of electric motor vehicles. Since 2017, he has shifted focus to retail.

Although Zheng Hui's wife does not come to the shop often, the shop is actually owned by both of them. The couple has bought a home and settled in Jinan.

After graduating from Xi'an Jiaotong University, Zheng's wife began working with China FAW Group. She later resigned as she had to commute a long distance from home and she was unhappy with her job. She joined Zheng Hui in running their small business in Shandong. Thanks to her professional knowledge, Zheng's wife handles inspection of new vehicles. She checks their configurations, colors and styles. Zheng Hui is mainly responsible for buying and selling vehicles.

Zheng Hui thinks he is fortunate to have the support of his wife through the years, especially through the ups and downs.

There was a time when Zheng Hui was making lots of money from the business. During 2008-2009, he had assets worth nearly RMB10 million. "I believe every person goes through a difficult time in his lifetime," Zheng Hui said. "I opened a factory in Wuxi in 2010, and was cheated of more than RMB10 million."

Zheng Hui invited a partner to manage the factory in Wuxi while he himself continued to focus on his business in Jinan. He never thought that his partner and wife, the then-accountant of that factory, would steal all the money. By the time Zheng Hui became aware, the couple had gambled away all the money.

Zheng Hui had sold his properties to open the factory, and it was all in vain. Zheng Hui described how helpless he felt. "I not only lost all the money but also owed more than RMB4 million to another factory. My factory went bankrupt, and I did not have money to pay the 40 employees."

People thought there was no hope for Zheng Hui. "A friend told me he felt sad seeing me ride electric motorcycle, but I was optimistic," Zheng Hui said. He gathered his thoughts and picked himself up.

With a positive attitude and hard work, Zheng Hui got out of the slump in 2013. He opened three shops in Jinan, Zibo and Binzhou and extended the reach into other places.

Zheng Hui sells electric motor vehicles in Jinan, electric scooters in Wuxi and three-wheeled electric motor vehicles in Xuzhou. As the business is scaling up, he often encounters liquidity squeeze.

According to Zheng Hui, nowadays, to purchase from manufacturers, he has to make payment in lump sum in advance. Otherwise, he cannot get the goods and will be short of stock.

Then there are external problems he faces. First, Jinan launched a campaign against unapproved buildings. As a result, many warehouses, including that of Zheng Hui, were demolished. The drive drove up the rents. Second, the 13th Chinese National Games held in Tianjin impacted the market in Tianjin. At the time the Tianjin government announced a tough fight against pollution. It stopped production at all paint factories, causing prices of finished products to soar. Zheng Hui wanted to buy finished products in bulk, but he fell short by RMB90,000.

How to fill the gap? Zheng Hui first looked for help from a relative. But his relative, thinking this was a big sum of money, hesitated. So, Zheng Hui immediately took back his "request" for the sake of not putting others in



Zheng Hui launched electric vehicle business in 1996 after leaving the army. He now mainly sells two brands: Aima and Xinfei



Zheng Hui placed the order in time after arranges all the money

an awkward situation.

Zheng Hui knew he had little chance of getting a bank loan because of the long and complicated procedures in addition to requirement of a guarantor. Even if he was given the loan after the long process, the finished products would have been bought by other parties. Seeing others were placing orders, Zheng Hui became a little anxious. Just then, he happened to see an advertisement of Youxin Financial, a fintech platform, on his mobile phone, and decided to have a try. He did not expect that Youxin Financial would approve and disburse the

loan of RMB90,000 at such a fast speed.

Zheng Hui transferred the money to the manufacturer without any delay, and bought the stock in time, relieving the anxiety that he would be out of stock. Two-wheeled electric motor vehicle is sold for over RMB1,000 at the low end and can go up to RMB3,000, while three-wheeled electric vehicles sell for RMB5,000-6,000. Zheng Hui said his shop in Jinan sells close to 400 electric motor vehicles a month. "There is no shortage of buyers. The key is to purchase inventory ahead of other sellers."

Eventually, Zheng Hui staged a comeback. ✓



Name: Ma Fufeng	
Age: 31	Loan Amount: RMB70,000
City: Shenzhen	Term: 36 installments
Industry: Tire wholesale and retail	Purpose: Expansion of operation

20. Youxin Financial gives a new drive to tire seller

Ma Fufeng runs tire wholesale business in Baoan District in Shenzhen. He came from Chaoshan, a region in the east of Guangdong, China. He updates his WeChat Moments almost every day, such as uploading photos of new tires, or posting videos showing mounting and dismounting tires. Moments serves as the main channel for his online marketing.

There are more than a dozen domestic

and foreign brands of car tires such as Bridgestone, Michelin, Dunlop, Yokohama, Linglong, and Maxxis at Ma Fufeng's shop. Years of experience has made him an expert on the performance, strength and weakness of each brand of tires.

In 2002, Ma Fufeng, who was not yet 20, came to Shenzhen alone from Chaoshan. He worked at a tire company as a sales agent for a decade. Like many of his townsmen, Ma

Fufeng grew up in an environment where many people did business. He is clever and works well with people. "At that time I went out for marketing every day, and almost won all the customers I had contact with," Ma Fufeng said.

The 10 years were also the golden age of the tire industry. Benefiting from China's economic take-off and wider opening to the rest of the world, the number of family cars in Shenzhen increased rapidly. It is reported that in 2012, the number of motor vehicles in Shenzhen exceeded two million. Thus, there was an increasingly brisk demand for tires.

Seeing the opportunity, Ma Fufeng decided to start his own business in the belief that tires were consumable goods and in great demand, and the industry was therefore promising. Chaoshan people have a fighting spirit, and Ma Fufeng is no exception. "I thought I did not want to work for others all my life. I must have my own business, or else it was a waste of my networking resources. I would open a shop when the opportunity arose," he said.

Ma Fufeng planned to become a wholesaler, bridging the upstream tire manufacturers and the downstream tire retailers. Before leaving the tire company, he visited some upstream manufacturers with which he had contacts, and talked with them about the price, sales, etc. After several rounds of talks, he got to know what the cost structure would be.

When he resigned, Ma Fufeng already had extensive networking resources and experience. After two or three months' preparation, he opened a tire shop in Longgang Town of Shenzhen at the junction of Shenzhen and Dongguan with his savings of RMB300,000 in 2012. The shop is close to No. 107 National Highway and Shenyang-Haikou Expressway, which is convenient for tire transportation. Ma Fufeng said, "Location matters a lot to wholesalers. So, it's better to choose such a trans-regional area."

According to Ma Fufeng, enterprises in Chaoshan area mostly pursue small profits and quick returns to compete for a larger market share. He thinks that makes sense. A majority of his customers were born in 1960s and 1970s. Ma summed up the characteristics of this group of customers in this way, "They're very sensitive to price. What attracts them most is often cost. For this reason, my shop relies on low prices and a large turnover."

Ma Fufeng also makes use of WeChat Moments to do marketing. Since posting the first advertisement of new tires on Moments in April 2014, he has run the WeChat Moments advertising campaign for almost five years. He often ponders the questions of how to take good-looking pictures, how to devise customer-engaging texts and when to offer promotions.

Morning is the busiest time for Ma Fufeng. Reading the introduction to new tires on his Moments, some customers will enquire the price or place an order by calling him or sending a voice message. He tries his best to answer them without any delay because "customers do not have much time to wait, and may buy products from other sellers if they do not get an immediate reply." In his opinion, both product quality and satisfactory service are essential to a good business. "Time around a holiday is usually the peak season for tire sales. Over the past seven or eight years, holidays have fueled self-driving tours. There is a brisk demand for tires before or after holidays," he said.

In September 2017, Ma Fufeng wanted to stock up 100 tires for the forthcoming season of the National Day Holiday. In the tire industry, it is a common practice that wholesalers pay upstream manufacturers immediately but collect money from downstream retailers slowly. Consequently, Ma Fufeng did not have enough money to buy the tires. He recalled that he was very anxious to fill up the capital shortage of

RMB70,000 at that moment, but he was unwilling to borrow from relatives or friends which would make him feel indebted. He consulted several banks, but was asked to provide collateral. Ma Fufeng did not have any property in Shenzhen, and did not want to put his car worth RMB200,000 as collateral for such a small loan.

Then, a friend in the same business recommended Youxin Financial, a fintech platform, to him. The friend said he had borrowed from Youxin Financial, the loan contract was clear and there would be no

problem as long as repayment was on time. Besides, the repayment pressure was not big. Ma Fufeng searched more information online, and applied for a RMB70,000 loan from Youxin Financial. The loan was credited into his account quickly. With the money, Ma Fufeng settled the payment for tires instantly, ensuring the supply for the hot season. In that month, the turnover doubled.

Young micro and small business owners like Ma Fufeng browse the Internet frequently, and they have an awareness of protecting personal credit record. This allows fintech



Time around a holiday is usually the peak season for tire sales

companies based on algorithms for big data to give them credit support through a comprehensive assessment of personal credit data and behavior data. This approach is becoming increasingly feasible in China as access to stable, high-speed mobile Internet grows.

According to Ma Fufeng, credit transactions are common in the tire industry. Allowing customers to settle their payment at a later date not only helps both sides reach deals quickly but also strengthens their relationship. Ma Fufeng does credit transactions, too, with long-time customers who buy tires in large quantities. In his opinion, new customers should pay immediately while there is trust in old customers. However, there is also a bottom line for such trust. "Delaying the payment for several days does not matter much. I allow it to the end of each month. If someone does not pay in half a month, I will consider whether to sell to him next time. I must control the business risks," Ma Fufeng said. Lots of his townsmen who did business in Shenzhen were trapped in tight liquidity due to failure in getting their cash flows back on track.

Tire business in Guangdong is not as good as before. Ma Fufeng attributes the reason to cut-throat competition, and even price war. Therefore, he has begun to seek change.

Ma Fufeng has joined a tire industry exchange association, members of which will gather together to exchange market information and share business channels. It is through exchanges with these friends, plus years of observations and analyses of the industry that Ma Fufeng has found a new direction for his business - to do tire retail, targeting consumers directly.

According to Ma Fufeng, car owners prefer

tires manufactured by joint ventures. With more than a dozen joint-venture supply channels of tiers, he said, "I have an advantage in opening a large retail store because I have more tire channels and the price will be lower than other retail stores."

In addition to targeting his business at consumers directly and expanding consumer groups, Ma Fufeng also intends to extend the business chain by introducing car maintenance and car washing, so as to provide consumers with a full package of services and finally develop his own chain service brand.

Ma Fufeng is very optimistic about the industry, "Now almost every family has cars, and Shenzhen is also promoting new energy vehicles. Tires are consumables. Owners have to replace tiers once a year or two years. So, the tire industry is sustainable."

According to statistics from the Ministry of Public Security, as of the end of 2018, the number of cars and other vehicles reached 240 million in China, an increase of 22.85 million or 10.51 percent from a year ago. In terms of distribution, 61 Chinese cities reported a car parc at more than one million each, and 27 cities, including Shenzhen, had two million each.

Ma Fufeng said that 200-300 tire retail stores in the Pearl River Delta buy tires from his shop, the area of his warehouse has doubled, and the retail business is slowly growing. At present, Ma Fufeng has three employees, with labor costs at about RMB15,000 per month and the monthly rents of his shop and warehouse stand at RMB10,000 in total. With a turnover of at least RMB2 million, the profit margin can reach 35 percent. Planning to further expand the retail business this year, Ma Fufeng said, "Doing business is a pleasure for us Chaoshan people." ✓



New Business Launch

The first hurdle anybody planning to set up a business is finding adequate capital.

Micro and small businesses in China last about three years on average, and only one-third of businesses continue to operate three years after launch, according to data released by China's central bank. On average, micro and small companies can only get their first loan after four years and four months upon establishment, which means these businesses must survive the life-or-death period before they can get the first loan.

The first three years is the most crucial period. Failure may result in late payment of installment or even default. Under the traditional credit model, the risk is disproportionately higher than the rate of return.

However, with more and more people becoming entrepreneur, the demand for startup capital is also rising. In recent years, an increasing number of people have borrowed from Youxin Financial to start their venture. They are eager to work hard for themselves and their family and become their own "boss". Though most of them have some savings and thus are not starting from scratch, they still face a funding gap.

He Ke, a young man born in 1992, returned to his hometown Suzhou after graduating from the Conservatory of Music. He wanted to open his own school to teach music. To launch the project, he put all of his savings into the school. When he wanted to expand it the next year, he was confronted with a RMB30,000 shortfall. To overcome this difficulty, he borrowed from Youxin Financial. Fang Yanbin, who had been a reserve policeman in Wuhan for five years, thought of opening a specialty restaurant together with his mother. When preparing for the restaurant, he discovered he did not have the RMB100,000 he needed for renovation. Again, it was Youxin Financial which helped him.

These are just two examples of Youxin Financial's customers. Majority of those who start their own business do not need a massive amount of capital given the size of their company. But they do not want to dry up their family savings, thus lowering the living standard of the whole family. Nor are they willing to owe money to their friends by borrowing from them. However, the traditional financing channels are not tailored for them.

The fintech model that focuses on evaluating personal credit meets the demands of this customer group. Efficient service, reasonable amount of loan, risk pricing and servicing cycles provide the best help for them to start their business.



Name: Wang Jiu

Age: 27

Loan Amount: RMB30,000

City: Suzhou

Term: 36 installments

Industry: Musical instrument
teaching company

Purpose: Expansion of
operation

21. Music instructor strikes perfect note in Suzhou city

Just two years after graduating from college, Wang Jiu, born in 1992 in Suzhou City, has already opened his second music studio.

He started learning the violin at the age of four and a half. Upon graduation from a music college, Wang returned to his

hometown Suzhou from Dalian, working as a violin teacher in a music school for primary and secondary school students.

In 2016, Jiangsu Province announced a favorable scoring policy, incorporating music, painting and other artistic skills into



the scoring system for the college entrance examination. Musical training has become a booming sector since then.

That's when Wang decided to leave the training institution where he worked and start his own business.

To set up his own music studio, he used his savings from working as a music teacher, plus compensation from violin performances. In May 2016, He officially started his own business in a narrow space of less than 20 square meters with two other instructors teaching violin and piano.

Many music schools exist, but smaller schools have their own advantages. The general

business model for music schools combines selling musical instruments with training courses, with prices ranging from several thousand to RMB10,000, making them unaffordable for ordinary families. One of China's largest musical instrument companies, Xingkong Music Instrument, closed all its nationwide stores overnight in September 2017 after reportedly suffering losses for consecutive years.

Wang had once worked for a big music school like Xingkong, and his current employer had gone out of business as well.

However, a small music studio relies purely on word-of-mouth advertising, as its core competitiveness lies in the quality of the

teacher. Such a music school could offer many opportunities for an entrepreneur.

Because of the favorable scoring policy in the college entrance examination in Jiangsu Province, more parents would willingly spend money on musical training, with many sending their children to Wang's music school. The surging market demand made it impossible for He to accommodate more students, so he set up his second studio in June 2017.

Remodeling classrooms, purchasing instruments and recruiting teachers all required investment, but Wang encountered a small gap in funding.

Since he had no house or car under his name, banks would not readily give him a direct loan. While it might have seemed easy to ask parents for money, Wang refused to do so, as he didn't want them interfering in his future decisions.

Instead, He turned to online lending. He quickly secured a loan of RMB30,000 from Youxin Financial to complete remodeling for the second studio, just in time to admit new students for the summer holiday.

Today, Wang makes an annual profit of a few hundred thousand RMB, in stark contrast to his previous role as an employee earning only RMB3,000-4,000 per month. And as his own boss, he has the flexibility to make decisions based on goodwill, and not necessarily profit. For instance, he offered discounts or free lessons to a number of students who couldn't afford to pay for lessons. The business philosophy has given him a positive reputation.

Wang has already begun making preparations for his third studio, which he plans to open close to the city's downtown area. Every time he sees parents watching their children practice the piano or violin, He feels truly delighted that his career may help these children achieve something great. ✓





Name: Chen Lixia

Age: 43

Loan amount: RMB140,000

City: Shijiazhuang

Term: 36 installments

Industry: Art

Purpose: Upgrading her store

22. By entering the business of art and calligraphy, she rides the trend in the cultural and entertainment sector

Chen Lixia, a resident of Wangquan Street in Shijiazhuang, spent over one month preparing for the grape-themed French art exhibition.

“Grape stands for fertility and fortune. The exhibition was quite remarkable, plus a French wine tasting party was also held,” Chen Lixia said. She knew the exhibition would provide an excellent opportunity to showcase the art and calligraphy works she possessed.

Chen Lixia had no training in running an art and calligraphy store or an exhibition. She had been working in the tourism sector for the past 20 years, first as a tour guide for 10 years and then independently running a travel agency for the next 10 years.

With more and more Chinese becoming richer in recent years, the spending on leisure and entertainment has surged, which has boosted the tourism sector. Chen Lixia’s travel agency not only arranged local



Chen Lixia became calligraphy enthusiast herself after being in the field for years

people's travel to other places, but also received tourists from other places who came to the old town for sightseeing. In the past several years, her travel agency earned an annual profit of about RMB500,000.

Thanks to the artists she met during her travels, she started to study art and calligraphy in 2015, and soon realized that she could make a good fortune out of artworks as they made perfect commercial sense.

"But to prosper in this field, you need network and judgment. Network means you have to have access to buyers and sellers. And your judgment is even important. You must be able to identify painters with huge potential and high value. After that, you buy their works in large quantity at low prices, and sell them at high prices some years later." According to Chen Lixia, artworks sometimes can fetch a return of over 100 times.

Pointing at a calligraphy work "Fo" (meaning Buddha) on the wall, she said this piece by a famous calligrapher in Hebei cost her RMB280,000. But she does not want to sell it yet. She plans to wait and watch.

To enter the business of art and calligraphy works, Chen Lixia first needed a space. In 2014, she transformed the second floor of

her travel agency where she used to receive tourists into an art and calligraphy hall and named it "Ink Pavilion". Unlike any other commodity, every artistic work requires sufficient space for display, and the whole place must be in line with the style of these works. The renovation alone cost her RMB140,000.

However, as her travel agency had just started offering overseas packages, she didn't have sufficient funding. Moreover, there weren't many financing channels available. She could not borrow from her relatives or friends as she had always been considered a "business owner" and a "rich woman" after running the agency for so many years.

She didn't apply for loan from bank either. "The bank approval process is quite cumbersome and it takes a long time for the loan to be approved," Chen Lixia said. She was quite familiar with the process, since she had obtained bank loans before.

A friend, also a businessperson, after learning about the shortfall accidentally, introduced to her the financial technology platform and recommended Youxin Financial, as it offered quick lending and higher amount. After submitting relevant information, Chen Lixia soon obtained a loan of RMB140,000 thanks

to her good personal credit record.

The Ink Pavilion, with its ancient charm, echoes the architectural style of Wangquan Street in Shijiazhuang. Various types of calligraphy, painting and paper-cutting works adorn the wall. On the south wall is a 0.9 square-meter painting named “Qin Yuan Chun, Snow”, whose current market price is RMB250,000, according to Chen Lixia. On the east and north walls are several landscape works. On the west side, there are several paper-cutting pieces, one of which is themed “the Chinese dream”.

Chen Lixia obtained these works accidentally many years ago. When she was leading a tour group in Kaohsiung in Taiwan, China, she met Mr. Song, owner of a famous local rice paper factory. Song’s factory produces handmade rice paper, whose writing texture is amazing despite the low output. After several discussions with Mr. Song, Chen Lixia brought his rice paper back to the mainland.

“We offer rice paper in exchange for artists’ works. Famous artists are passionate about quality paper. They come here to try the paper, and then leave their works with me. After establishing long-term relations, they now give me many of their works for free,” Chen Lixia said. In addition to Mr. Song’s rice paper, she is exploring new areas. Currently, she is working with a partner to establish a paper mill that produces Tangshan Qian’an handmade paper. The initial investment is estimated to be RMB500,000.

“Qian’an has a long history of handmade paper. It has to be refined into mulberry paper after undergoing more than 30 stages such as threading, pressing, drying, paper selection, etc. It is white and delicate in texture. It is also resilient. Indeed it’s the best paper for northern landscape painting,” she said. Different types of paper will certainly attract more artists.

Most of the works on the wall, including the “Qin Yuan Chun, Snow”, were left by


artists who had come to try the paper from all across the country. The rest are her collections from exhibitions. Some artists have their distinctive styles, which mean their works might appreciate greatly in value. She cherishes such works.

By the end of 2018, Chen Lixia had studied the art and calligraphy sector for four years. In the four years, she had familiarized herself with the rules and market trends of the sector, and greatly improved her understanding. From 2016 to 2018, she made an average profit of RMB100,000-150,000 annually.

However, the Chinese market recently reached its peak, with prices remaining stubbornly high, resulting in many collectors actively stocking up works. As a result, serious bubbles have emerged in the market.

“The demand structure of the market is changing. As the overall market is sluggish, art consumption may drive the future transformation of the Chinese market for a long time in the future, shifting away from the collectors’ market or investment market,” Chen Lixia said. In fact, she is making changes and adjustments based on her judgment, preferring popular aesthetic taste when selecting works.

Two years ago, running an exhibition was almost certainly a loss-making business. In 2016, when opening an art exhibition for the first time with her friends, the group spent RMB400,000 to invite two artists to create 40 painting works. The money they spent on every work was at least RMB10,000, including the cost of venue and other expenses. But the general public was reluctant to pay more than RMB10,000 for paintings.

After that setback, Chen Lixia became more cautious and gained more experience in the selection of works. Now she has more than 50 paintings. She plans to run another exhibition when the number reaches 100 so as to attract more art lovers. 



Name: Qin Hao

Age: 31

Loan amount: RMB60,000

City: Weifang

Term: 36 installments

Industry: Education and
Training

Purpose: Expanding the school

23. RMB60,000 allows him to launch an art training center, opening a new career path

Four years ago, after quitting a State-owned enterprise, Qin Hao, a native of Weifang in Shandong Province, decided to try his hands in the education and training sector.

Around 2014, speech training classes for children and adolescents all over the country had sprung up, as eloquence and good

presentation skills were becoming more and more valued. “Why don’t you try something like training young journalists?” A journalist friend in Shandong suggested. Qin Hao felt that was a good way to start with.

However, as he had never ran a business, he found it difficult to arrange RMB300,000



In 2016, Qin Hao invested RMB600,000 and established a new site in Shouguang. He also expanded the scope from eloquence and speech training to cover more courses

needed for the startup. He calculated that the initial investment would include an annual rent of RMB30,000 (three years of rent must be paid in advance) and RMB100,000 to buy teaching materials and other expenses. Qin Hao did not have enough savings to invest because his salary at the State-owned enterprise was not very high.

He somehow raised nearly RMB200,000 after borrowing from his family and friends and plus his own savings, but there was still a gap of RMB60,000. Through his previous work experience at the State-owned enterprise he was well acquainted with the process of personal loans offered by banks. "To get a loan from a bank requires collateral and it takes a long time to be approved. Moreover, a RMB60,000 loan would have been difficult. I could not apply in the name of a company, because my business has yet to

get off the ground, and the bank was unlikely to approve the amount. Using the credit card was not an option as my credit limit wasn't that high," Qin Hao said.

After learning from his friends that as long as he had a good personal credit record, he could get a loan quickly with the help of a financial technology platform, Qin Hao contacted Youxin Financial, a financial technology platform dedicated to providing micro and small business owners with higher amount of personal credit loans. He submitted a loan application of RMB60,000. To his surprise, his application was processed on that day and the loan was granted the next day.

With the funding in place, the preparation work was soon up and running. Qin Hao rented three rooms and turned them into

classrooms in his home town Yangkou Town in Shouguang. Two months later, the “Star Eloquence & Speech Training Center for Young and Teen Journalists” was unveiled.

Such an institute was quite new in the town. And the fee was not high. One year later, 150 trainees had registered for the course.

However, Qin Hao soon realized that the location of the small town and the single training program was restricting the further development of his business. Regardless of how much effort he spent on advertising and promotion, or how many senior teachers he invited to teach the students, he found it difficult to increase new registrations. He realized that the market in the town was close to saturation. So he set his sights on the urban area of Shouguang 50 kilometers away.

Shouguang City, a prefecture-level city of Weifang known as the vegetable town of China, has nearly 700,000 permanent residents. The market capacity there was just what Qin Hao needed: There was enough room for business development and expansion, and at the same time, the market was not so large that would require a huge investment.

In 2016, Qin Hao invested RMB600,000 and built a new site at Shouguang. The Star Training Center expanded from a provider of eloquence and speech training to that of art training. It launched courses in dancing, fine arts, erhu (a two-stringed bowed instrument), cucurbit fluid, taekwondo and electronic organ. The site is a two-story building with five classrooms on the first floor and Qin Hao and the teachers’ offices on the second floor. And the center has more than 10 teachers.

“Parents today are quite devoted to their children. In a sense, children are the biggest investment targets for thousands of parents,” Qin Hao said. Based on these needs, the center provides a wide variety of courses

to cater to children’s interests. Among the courses, the eloquence and speech training remains the most popular.

“Why is it the most popular? Because parents want their children to develop communication skills.” Qin said the eloquence and speech training is the most expensive course in his center, RMB2,700 for 60 lessons. Meanwhile, the average monthly salary in Shouguang is less than RMB4,000.

He found that for many parents who sign up for various types of classes for their children, their original aspiration is not to help kids develop in a particular direction or profession, but to help them gain relevant skills. Therefore, the curriculum must be both educational and entertaining.

Drawing on his experience in Yangkou Town, Qin Hao began attracting students by offering a series of low-priced demo courses, and then persuading them to sign up for formal courses. For example, the fee for four fine arts lessons was only RMB9.9, and for four electronic organ lessons RMB19.9. However, the strategy did not work.

His past experience suggested that around 30%-40% candidates who join the demo class would sign up for the full courses. However, in the first year after coming to Shouguang, Star Training Center served 500 students, but only 50 students formally registered for the full course, i.e. the rate was only 10%.

Such a low rate was not only due to fierce market competition, as Shouguang had three similar art training centers, it also had something to do with the focus of parents and students which was quite different from that of Yangkou. In this context, teaching ability and quality were both key factors.

For instance, although some of the teachers for the eloquence and speech class were former drama actors, they did not have

the required teaching skills and could not motivate the students. Through friends, he found a teacher in Weifang who had both performance experience and teaching skills. After he joined the institute, the students and parents were very satisfied. To retain him, Qin Hao paid him salary that was much higher than the market average.

“Many people think it is not difficult to open a training sector. But only when you start doing it you know it requires a high level of professionalism. The professionalism of the teachers is very important,” Qin Hao said. He believes if a teacher is highly professional, many students would sign up for the courses after taking the demo class. So a good teacher is the most important asset of the training center.

In the second year after coming to Shouguang, Qin Hao began to make changes. He invited an experienced local teacher to join the center by offering some of the shares to her. The teacher used to be a school headmaster and is good at recruiting talented teachers. She brought in a group of capable teachers, significantly increasing the number of students.

What’s more, Qin Hao has tried new channels to attract students by working with schools to provide them with art courses or performance rehearsal training. Qin Hao integrates the current hottest topics into the curriculum so as to arouse students’ interest. For example, in 2017, the center’s teaching and research team provided a lesson that adapted artist Li Yugang’s songs in the eloquence and speech class.



The registrations have gradually increased. Currently, the center has a total of 250 students, generating about RMB500,000 in tuition fee annually. The total cost is about RMB500,000, including labor cost of RMB300,000-400,000, and rental and property cost of around RMB150,000.

Qin Hao focuses on the quality of the curriculum and the hiring of good teachers. Slowly he begins to make a profit. ✓



Name: Fang Yanbin

Age: 33

Loan amount: RMB100,000

City: Wuhan

Term: 36 installments

Industry: Restaurant

Purpose: Startup fund

24. RMB300,000 investment into secret recipe restaurant

There are many high-end restaurants on the pedestrian-only street in Wanda Square in Wuhan.

A sign “Luotian Hanging Pot” does not look as appealing as other signs on the street. Inside is a two-storey 70-square-meter restaurant. Compared with other well-decorated restaurants, it looks a bit shabby.

Born and raised in Wuhan, Fang Yanbin, 34, is the owner of the restaurant. Every day around 10 a.m., he buys all the goods needed for that day from a nearby market. His apprentice washes and cuts the food and

the cook quickly brush the wok and start cooking. Fang shuttles between the kitchen and dining area, taking care of customers, managing money and sometimes bringing food to the table.

At 11 a.m., Fang Yanbin lets his mother work as the cashier, and he drives to deliver over a dozen orders to a nearby office building.

After delivering lunch, he returns to the restaurant and works until 2-3 p.m. Most customers are white-collar workers, and 12-2 p.m. are the busiest hours. Fang Yanbin, the cook and the apprentice eat lunch only after



As “special cuisine instructor”, Fang’s mother often comes to help

all the customers have left.

This is Fang Yanbin’s daily life. He leaves the restaurant only in case of emergency. “There’s no rest in catering industry, especially for a beginner like me.”

At 11 a.m., customers begin arriving.

Fang Yanbin has no prior experience in catering. He started as an apprentice electrician at the age of 16, then moved to shipping industry by working as a cabin electrician. He spent six to eight on the sea during one journey. His family didn’t want him to be so exhausted and asked him to come back to Wuhan, so he left his job and spent five years working as an auxiliary policeman.

In March 2018, he quit the police job and decided to open a restaurant, because he had an enduring idea that his mother wanted to open a restaurant in her youth. Besides, Wuhan is a tourist destination, guaranteeing enough customers for catering industry.

Catering takes time and patience. In the first few months since opening, the restaurant did not get many customers. He was nervous as his savings were running out, yet his business was not getting any better.

“My restaurant offered no specialty.” Fang

Yanbin wondered whether this was the crux. He also visited other restaurants to find their specialty, layout and price, keeping all the information in mind.

While talking, Fang Yanbin and his mother accidentally mentioned a secret recipe handed down from previous generations of the family: The hanging pot. Every year during festival, his mother would cook this dish and it was the most popular among family. They thought about the idea and decided to try it in the restaurant.

Fang Yanbin’s mother became the “special instructor”. They often thought about how to improve the taste of a dish. Gradually the business got better and more customers began coming. Fang Yanbin said the customer that orders lunch first came to dine, and decided to become a long-term client when he found the dishes delicious.

The operation of the restaurant gradually stabilized, and the taste and quality of the dishes improved. As manager, Fang Yanbin must think about maximizing profits.

Apart from rent, the biggest investment is in the kitchen, including the equipment for steaming, stir-frying, boiling and frying, ventilation, pipelines, firefighting equipment,

etc.

Before opening the restaurant, Fang Yanbin had RMB200,000 capital, which he thought would be enough. However, when he started decorating and buying equipment, he found that another RMB100,000 was needed. What made him more anxious was that when the kitchen equipment supplier completed the delivery, he had only three days to make the payment.

Since he had bought insurance from the bank for his son, Fang Yanbin's first choice was to apply for a loan from the bank. The bank officer, however, told him it would take at least five days for the loan to be approved. He consulted another bank, but he was again told that the bank will not be able to grant him money in three days.

Fang Yanbin learned from his friend that financial technology platforms offered loans quickly. After comparing several platforms in terms time, credit line and repayment plan, he submitted an application for RMB100,000 loan to Youxin Financial. Given his good credit record, the loan reached his account the next day. Fang Yanbin immediately paid the remaining sum to the supplier.

"I urgently needed RMB100,000, as long as the cost was reasonable, I was ready to accept even higher charges. I know each loan costs differently, and since I have to pay back in three years, I only need to pay RMB4,000-5,000 a month, which isn't a big amount. Even if my restaurant fails, I can once again work as electrician, earn RMB7,000-8,000 per month and pay back the loan. Paying back is not a problem for me," Fang Yanbin said.

The initial investment in the restaurant was RMB300,000, plus RMB20,000 monthly rental, the salary of a full-time cook and apprentice, the cost of water, electricity,

property management and food materials, bringing the total cost to RMB40,000 each month.

According to Fang Yanbin, he chose Wanda because of its good location. Nearby there are many office buildings and many people need to eat during lunch time. "For a restaurant, the most important factor is location, then taste, and its reputation and popularity come third, as it takes time to build reputation and become popular."

Currently, the restaurant is making ends meet. Lunch order from the client contributes 50% of revenue, and the other half is from individual dining customers.

Though his initial investment has not paid off yet, Fang Yanbin is planning to rent out this restaurant when operation becomes stable, and open a new one close to residential areas, so that he could increase revenue by offering daytime meal and nighttime snack.

Catering around residential areas is different from office buildings. For the night market close to residential areas, the busiest hours start at 10 p.m. and last until 1-2 a.m. Fang Yanbin estimates that if the new restaurant goes well, monthly transactions would be higher than the Wanda restaurant. Besides, half the revenue comes from the business client, who will remain a client even if the location changes.

Fang Yanbin said that his biggest wish was to run the restaurant successfully and provide a better life to his children and family. "Though tired, I'm satisfied to see my restaurant getting better day by day."

Watching the bustling customers and his mother, Fang Yanbin is relieved that he at least has a career in this city. As to the future, he admits the possibility that he might fail. "I'm in my 30s, I'm still young. I'm not afraid to fail since I can start over." ✓

Postscript

Micro and small businesses, typically small shops and factories, play an important role in the national economy. In 2017, China had 73.281 million sole-proprietors, including 23.278 million enterprises and 50.003 million privately owned businesses. Currently, micro and small businesses contribute more than 50 percent to China's tax revenue, more than 60 percent to GDP, account for over 70 percent of China's technological innovations and 80 percent to employment.

Micro and small businesses play a crucial role in promoting socio-economic development. However, the financial services fail to match their contributions to the national economy. The China Association of Small and Medium Enterprises data show that as of August 2017, out of the 23 million enterprises in China, and only six to seven million companies had taken loans from banks, and 16-17 million enterprises, especially micro and small ones which had no property as collateral, were hardly served by commercial banks. This is even more so for

the 50 million sole-proprietors.

The Chinese government has elevated this issue of difficult and expensive financing for micro and small companies to a national initiative, and is strengthening its support for micro and small businesses.

A differentiated, supplementary micro and small businesses financial services system has already taken shape in China under the current financial supply system. It is a well-proven fact that other types of institutions can reach into unbanked and underbanked areas. As a beneficial supplement to traditional financial services, innovative fintech platforms are playing more and more vital role in serving the funding needs of micro and small businesses. Nowadays, the financial industry is shifting from virtual economy to real economy. Therefore, fintech platforms can tap the enormous potential in strengthening inclusive financial services for the real economy.

(This Report uses pseudonyms to maintain anonymity of customers)

Inclusive finance has advanced by leaps and bounds around the world after years of explorations and practices in each country. However, due to the constraints of traditional service models and technical conditions, the development of inclusive finance worldwide has to tackle the cost-inefficiency, commercial unsustainability and other common challenges.

——Li Dongrong, Chairman of National Internet Finance Association of China

The advancement of fintech helps expand financial services to unbanked areas, reduce transaction costs, boost market volumes and reduce risk concentration. It provides an alternative way to address imbalanced, insufficient financial development.

——Cai Esheng, Director of Northern Finance Institute, former vice-chairman of China Banking Regulatory Commission

Lack of inclusiveness is the shortcoming of finance. Without the advancement and

support of fintech, inclusive finance cannot make strides. Fintech effectively reduces the costs and lowers the thresholds of finance to make it truly inclusive.

——Li Yang, Chairman of National Institution for Finance & Development

Good finance can support innovation; good finance can improve financial efficiency; good finance calls for stability and ensures risks are controllable while ensuring efficiency and inclusiveness.

——Huang Yiping, Vice-dean of National School of Development, Peking University

Risk management techniques born with the advancement of fintech can address information asymmetry with the application of big data and cloud computing. Fintech has provided China solutions for getting over the thorny issue of expensive financing troubling the whole world. The advancement of fintech can better serve the real economy.

——Liu Shangxi, President of China Academy of Fiscal Sciences

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Statement

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友信普惠

Ucredit, a brand of Youxin Financial

A man with glasses, wearing a white short-sleeved shirt and a dark blue apron, is focused on working with a piece of wood. He is using a hand plane to smooth the surface of a rectangular wooden block. The workshop background is filled with various wooden planks and tools, creating a warm, rustic atmosphere. The lighting is soft, highlighting the man's concentration and the texture of the wood.

“Cash flow in furniture business always stresses me out. How can I fill the shortage of over RMB100,000 to buy raw material?”

Founded by Youxin Financial in 2011, Ucredit commits to helping customers including small business owners, self-employed people, and urban working class to improve their financial lives by providing installment loan services. Ucredit has a nationwide network of branches to provide in-person services to individuals and small business owners in order to help them with their loan applications. Our service is an important contributing force to inclusive finance since the financing needs of small-and-micro businesses are usually underserved by traditional financial institutions.