Proceedings of the 4th International Conference on Business and Policy Studies
DOI: 10.54254/2754-1169/2025.19797

Influencing Factors and Comparative Study of Firms' Financing Channels

Baiya Wang[1,a,*]

[1]*School of Accountancy, Zhongnan University of Economics and Law, Wuhan, 430073, China*
a. 202221080309@stu.zuel.edu.cn
**corresponding author*

Abstract: As the global market economy continues to evolve, financing channels are becoming increasingly diversified. Experts and scholars have conducted extensive theoretical and empirical research on the mechanisms and risk factors associated with traditional trade financing methods, including bank loans, debt financing, and equity financing. Meanwhile, supply chain finance, an emerging financing channel, has gained significant attention from financial institutions and industry scholars due to its operational efficiency and financing convenience. This study aims to provide a comprehensive analysis of financing channel selection and its associated risks. It begins by exploring the key factors influencing corporate decisions in selecting financing channels. The research then focuses on two major industries—real estate and retail—leveraging expert findings to examine their distinctive financing practices. Finally, a comparative analysis is conducted to evaluate different financing channels from the perspective of financing risks, highlighting their advantages and limitations. This study contributes to the existing literature by offering insights into the strategic management of corporate financing and serves as a valuable reference for future comparative studies on financing channel optimization.

Keywords: Financing Channels, Supply Chain Finance, Real Estate, Retail, Financing Risk.

1. Introduction

Capital is the lifeblood of an enterprise for survival and development. In traditional society, the source of funds for enterprises mainly relies on their own capital or private loans between family members and friends. This primitive lending relationship lacks formal legal security and is small in scale, unable to meet the financing needs of large-scale production activities [1]. The rise of commercial banks as financial institutions has provided a more universal, convenient and efficient way for corporate financing. However, commercial banks have a procyclical tendency, and during economic recessions, the harm will outweigh the advantages during boom periods [2]. Since the late 1980s, debt financing and equity financing have become important channels for direct financing of enterprises. Debt financing retains control of the company and has relatively low financial costs, but it requires a higher credit rating for the company. The advantage of equity financing is that companies do not need to repay the principal and can quickly raise large amounts of funds, but it also dilutes the control of original shareholders and increases information disclosure costs [3]. In recent years, with the increasing frequency of credit sales, it is difficult for some companies to raise funds through traditional financing methods. In serious cases, the supply chain even faces the risk of breaking, and

DOI: 10.54254/2754-1169/2025.19797

at this time supply chain finance becomes a breakthrough in market competition. Supply chain finance expands the financing entities to the entire supply chain, better leverages the overall benefits of the supply chain, and enhances capital flow. Classic supply chain finance financing channels include accounts receivable financing, confirmed warehouse financing, and financing warehouse financing. These methods are applicable to different supply chain links and can effectively alleviate financing constraints [4].

At present, the academic research on financing channels mainly focuses on qualitative research and model construction in a single field, while there are few studies that combine traditional financing channels with supply chain finance financing channels. Therefore, this article will systematically analyze and compare the influencing factors of different financing channels, and select the real estate and retail industries to discuss the financing channels, and then summarize from the perspective of risk, trying to provide decision support for the financing choices of enterprises.

2. Factors Influencing the Choice of Financing Channels

Choosing financing channels is one of the core issues in corporate financing decisions. Many studies have shown that the choice of financing channels is affected by a combination of factors. In this article, these factors are grouped into two categories: internal enterprise factors and external environmental factors.

2.1. Internal Enterprise Factors

Many scholars have focused on the key role of indicators such as scale, profitability, liquidity, and growth opportunities in their analysis of the internal factors that affect financing channels. Companies that are larger and more profitable tend to favor long-term debt financing, while growth opportunity variables support the trade-off theory hypothesis [5]. In addition, corporate strategy and fulfillment of social responsibilities also have an impact on financing channels.

Financing options for companies also vary according to the different stages of their life cycle. For example, businesses often rely on personal savings or support from friends and family to start a project and raise funds through crowdfunding campaigns in the start-up stage. During the survival stage, corporate financing channels gradually expand to include angel investment, equity crowdfunding, grants and micro loans [6]. In addition to the factors mentioned above, academic research on factors influencing financing decisions includes but is not limited to corporate debt levels, female psychological capital, professional management, etc.

It can be seen that traditional analytical indicators such as the scale and profitability of the enterprise have a positive or negative effect on different financing channels and their term selection, and have different impacts depending on the country and region. From a macro perspective, the life cycle theory shows high universality in the analysis of the decision-making of financing channels at each stage. For other factors, the research focuses on their impact on the overall financing effect of the enterprise, and emphasizes on explaining the mechanism of action between variables in an empirical way.

2.2. External Environmental Factors

The external environmental factors that affect financing decisions include the competitive landscape and market conditions, industry characteristics and policies, etc. When faced with competition, market volatility, and the demands of rapid growth, entrepreneurs often turn to non-traditional sources of funding or adopt self-financing investment strategies [7]. The improvement of the level of financial marketization will prompt enterprises to increase the proportion of bank loans and reduce internal financing. In developing and frontier markets, companies need to conduct in-depth analysis of

DOI: 10.54254/2754-1169/2025.19797

financial conditions to obtain low-cost financing. In a market environment where creditor rights are less secure, leasing becomes the mainstream financing method. At the same time, factors such as inflation and foreign exchange risk may lead to an advantage over foreign currency credit [8].

The different characteristics of the industry are also related to corporate financing. The new energy vehicle industry tends to adopt equity financing and convertible bond financing. As an emerging financing method with greater flexibility, SPAC mechanism is also becoming increasingly widely used [9]. In the financial industry, non-bank financial institutions prefer trust financing, and a reasonable trust structure can effectively reduce financing costs and improve financing efficiency [10].

For government-led countries that often implement central policies to control and influence economic behavior, policy risks such as economic policy uncertainty and geopolitical risks will significantly inhibit companies' willingness to externally finance, and have a greater impact on debt financing than equity financing. According to the characteristics of different industries, the intensity and significance of the inhibitory effect of this risk on corporate financing are different [11].

To sum up, the characteristics of the market and its competitive landscape can have a large-scale impact on enterprises at different levels within a certain range. Industry factors are more limited by the industry's own business activities, financing needs, reputation, etc., resulting in large differences in the choice of financing channels in different industries. Moreover, there are many sub-research fields for this factor, and previous researchers have discussed it quite fully. The impact of national policies is more universal and has a wider scope, but most of the relevant research results only reflect overall trends and do not explore them in conjunction with more specific factors.

3. Financing Channels for the Real Estate Industry

In recent years, scholars have conducted in-depth research on financing channels in the real estate industry in many fields. Bank loans are the mainstream financing method in the real estate industry, but there is still a threshold for small and medium-sized real estate enterprises. Medium-sized real estate companies can effectively avoid operational risks by cooperating with land developers or construction companies. Equity financing is only chosen by a very small number of real estate companies due to its stringent conditions, long time, complicated procedures and high costs [12]. Debt financing is more widely used in the real estate industry. However, it should be noted that as real estate companies continue to expand their debt scale, their financial operating costs will exceed the financing benefits brought by the tax shield effect and increase the risk of bankruptcy [13]. In addition, real estate companies can also choose other channels such as real estate trust investment funds.

Since 2016, China Fortune Land Development has issued perpetual bonds through trust companies several times (Figure 1), which has effectively reduced the company's debt-to-asset ratio and continuously improved its credit rating over a certain period of time. However, due to the need to optimize the issuance type, scale and term of the bonds, and the fact that perpetual bonds are prone to information asymmetry and high costs, this round of financing did not fully realize the economic benefits of perpetual bonds, and the cash flow interest coverage ratio was far below the industry average (Table 1) [14].

DOI: 10.54254/2754-1169/2025.19797

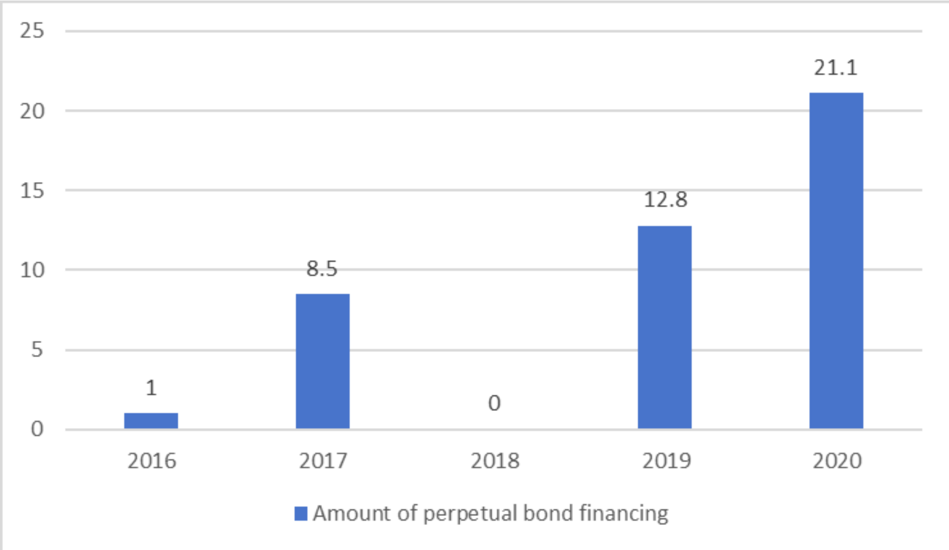

Figure 1: China Fortune Land Development's perpetual bond issuance scale from 2016 to 2020 (unit: billion yuan).

Table 1: Comparison of cash flow interest coverage ratios of China Fortune Land Development and the industry average from 2016 to 2022.

Year	Cash flow interest coverage ratio-industry average	Cash flow interest coverage ratio-China Fortune Land Development
2016	27.67	13.79
2017	16.92	-16.56
2018	6.40	-7.72
2019	3.54	-11.44
2020	7.26	-3.05
2021	4.18	-0.15
2022	4.83	0.01

Accounts receivable financing is the main supply chain finance method to solve the large capital demand and risk management problems in the real estate industry. Under the accounts receivable financing method, real estate companies can sell their unexpired accounts receivable interests to financial institutions to obtain immediate financial assistance from the financial institutions. As compensation, financial institutions will demand funds ranging from 10% to 20% of the total accounts receivable from real estate companies, depending on the amount of the accounts receivable and when they are due [4]. Vanke Group has set up an asset pool of supply chain financial asset securitization products, which is guaranteed by a credit rating of AAA, and its accounts receivable claims are of high quality and have strong anti-risk capabilities (Table 2). Vanke's asset securitization has achieved the effect of mitigating short-term capital outflows, and has received broad support from investors (Table 3). In addition, the interest rate of Vanke's supply chain ABS products ranked first in the real estate ranking in 2020, which greatly improved the financial situation of the entire supply chain [15].

DOI: 10.54254/2754-1169/2025.19797

Table 2: Information on the underlying asset pool of Vanke Supply Chain Finance No. 38 Asset-backed Special Plan.

Outstanding accounts receivable (billion yuan)	1.71
Number of debtors	184
Number of creditors	327
Number of accounts receivable (items)	495
Maximum outstanding balance of single accounts receivable (million yuan)	56.98
Average outstanding balance of single accounts receivable (million yuan)	3.45
Weighted average accounts receivable period (months)	12
Weighted average remaining term of accounts receivable (months)	12
Concentration of the top five debtors with the highest outstanding balance of accounts receivable	24.78%
Concentration of the top three industries with the highest outstanding accounts receivable	100%

Table 3: Vanke's Cumulative Abnormal Return.

Date	Market yield (%)	Actual rate of return (%)	Expected rate of return (%)	Abnormal return (%)	Cumulative abnormal return (%)
2019/1/8	-0.22	-0.2	-0.06	-0.14	-0.14
2019/1/9	1.01	1.32	1.6	-0.28	-0.42
2019/1/10	-0.19	-0.87	-0.02	-0.85	-1.27
2019/1/11	0.72	0.76	1.21	-0.45	-1.72
2019/1/14	-0.87	-1.11	-0.95	-0.16	-1.88
2019/1/15	0.56	1.96	0.99	0.97	-0.91
2019/1/16	0.02	1.03	0.26	0.77	-0.13
2019/1/17	-1.77	-0.55	-2.17	1.62	1.48
2019/1/18	1.82	3.16	2.71	0.46	1.94
2019/1/21	0.55	-0.43	0.98	-1.41	0.53
2019/1/22	-1.33	-0.97	-1.57	0.59	1.12
2019/1/23	-0.07	-0.35	0.14	-0.49	0.63
2019/1/24	0.56	0.4	1	-0.6	0.03
2019/1/25	0.81	2.72	1.34	1.38	1.41
2019/1/28	-0.02	-0.15	0.2	-0.36	1.05
2019/1/29	0.32	3.15	0.67	2.48	3.53
2019/1/30	-0.8	1.23	-0.85	2.08	5.61
2019/1/31	1.05	1.98	1.65	0.33	5.94
2019/2/1	-0.06	1.43	0.15	1.28	7.22
2019/2/11	-0.01	1.82	0.22	1.6	8.82
2019/2/12	-0.24	0.72	-0.09	0.81	9.63

The annual report of US real estate company D R Horton shows that its main sources of financing are bank loans, accounts payable and financial leasing. With a reasonable financing mix and resource allocation, the company has become the youngest but fastest-growing real estate company in the U.S. against the backdrop of shrinking financing channels in the real estate market (Table 4) [16].

DOI: 10.54254/2754-1169/2025.19797

Table 4: Related information on D R Horton's listing.

Time of listing	1992.6.5
Issue price	11.00
Total share capital	326 million shares
Total market capitalization	58.43 billion dollar
Current share price	$179.240

4. Supply Chain Financing in the Retail Industry

With the continuous development of the retail industry, supply chain finance has played an important role in solving financing problems, reducing financial service risks and improving the overall efficiency of the supply chain. Due to information asymmetry and low credit level, retail enterprises face greater financing constraints in external financing. Supply chain finance leverages the credit advantages of upstream suppliers and can effectively alleviate the problem of insufficient investment by enterprises [17]. Suning e-commerce platform has established a variety of financial products in its supply chain, among which "Zhangsurong" is based on the accounts receivable financing model, with no mortgage or guarantee, and a convenient application process, which greatly improves the efficiency of supplier financing. "Leyedai" covers the confirmed warehouse financing model. Enterprises use funds based on purchase orders or contracts. The prepayment ratio of this product is low, and payments can be directly entrusted to core enterprises. While in the "Huosurong" product, after Suning Microfinance provides loan funds to the enterprise, the enterprise directly pledges the goods to Suning Microfinance.

By providing a convenient online financing platform and low-interest financial products, Suning Finance provided more than 20 billion yuan in supply chain financial loans to 1,000 suppliers during the 2019 "818" promotion. Another 5 billion yuan in loans were used to support 20,000 small and micro businesses. At the same time, Suning Financial issued a special supply chain asset-backed plan, which not only provided low-cost financing for commercial factoring companies and upstream enterprises, but also helped core enterprises effectively manage accounts payable and cash flow, thus optimizing the supply chain [18].

5. Comparison of Financing Channels from a Risk Perspective

The risks that enterprises face in debt financing mainly include interest rate risk, default risk and liquidity risk. Under the conditions of interest rate marketization, interest rate risk will further increase, bringing additional financial pressure to enterprises [3]. The contractual interest rate and the cost of debt can only coincide when the probability of default is zero. In contrast, equity financing does not require the company to pay any minimum return, and there is no need to repay principal and interest, and credit risk and default risk are minimized [19]. But one of the most significant risks of equity financing is the loss of corporate control. For example, in the "Bao Wan dispute" since 1994, the Baoneng Group increased its shareholdings several times, which once put Vanke at risk of losing control. This situation is more prominent in companies with a dispersed shareholding structure and equal rights for all shares.

In supply chain finance, the main risks faced by financing models include transaction flow risk, capital flow risk and information flow risk. Transaction flow risk involves the misalignment of commodity flows and logistics among parties in the supply chain. Cash flow risks typically involve factors such as exchange rate risk, price risk, cost risk, and financial issues of supply chain partners. A more stable supplier structure will help reduce the debt default risk of small and medium-sized enterprises. Information flow risk involves information integrity and authenticity. The comprehensive

DOI: 10.54254/2754-1169/2025.19797

adoption of modern information and communication technologies can control the various factors behind supply chain risks [20].

In summary, the academic community has reached a relatively consistent statement on the risk costs of traditional financing channels, and has verified the relationship between these risks through empirical analysis, case studies, and other methods. At present, there is not a lot of discussion on the financing risk of supply chain finance, which mainly focusing on market competition and suppliers' own factors, and the risk faced by enterprises is mainly the risk of default.

6. Conclusion

At present, most of the research on corporate financing channels focuses on the same sector, revolving around certain specific variables or from the perspective of the supply chain. Although these studies have achieved remarkable results in their respective fields, they still need to be strengthened in terms of comprehensiveness and systematisms. This article discusses two major categories of financing channels, examines their influencing factors, applications in different industries and risk comparisons, and points out the need to further strengthen the structural theoretical and empirical research on the above financing channels to make the research on financing channels more comprehensive, clearer and more systematic.

Future research can start from an interdisciplinary perspective, combine theories from multiple disciplines such as finance, management, and economics, comprehensively analyze the applicability and effectiveness of different financing channels, and provide more comprehensive theoretical support. In addition, scholars can also compare the financing environment and policies of different countries and regions, analyze their impact on the choice of corporate financing channels, and provide reference for multinational companies. In recent years, the global economy has faced many uncertainties, financial market fluctuations have intensified, and the corporate financing environment has become more complicated. Governments around the world have introduced policies and measures to encourage companies to raise funds through various channels in order to promote economic development and industrial upgrading. The Chinese government promotes financial market-oriented reforms to improve the efficiency and transparency of financial markets. European and American countries support the financing and development of small and medium-sized enterprises through tax incentives, financial subsidies, etc. In this context, enterprises should comprehensively examine their own factors, actively explore appropriate financing methods, and formulate a financing decision-making framework to cope with the increasingly fierce market competition. Therefore, studying how to reduce various risks in the corporate financing process through effective risk management strategies will also be one of the research focuses in the future. Based on these, this article provides a basic and general theoretical review for subsequent quantitative and empirical analysis.

References

[1] *Tang, S. Y. (1995). Informal credit markets and economic development in Taiwan. World Development, 23(5), 845-855.*

[2] *Wilko, B. L., et al. (2012). Bank profitability during recessions. Journal of Banking & Finance.*

[3] *Zhu, L. (2023). Research on Risk Management under Enterprise Financing. Advances in Economics, Management and Political Sciences.*

[4] *Dai, Y. (2023). Discussion on the application of supply chain finance in the real estate industry. Real Estate World, (20), 39-41.*

[5] *Çam, İ., & Özer, G. (2022). Investigating the Effects of Firm-Specific Factors on Businesses' Investment Financing Decisions. Sosyal Ekonomik Araştırmalar Dergisi.*

[6] *Heaslip, E. (2020). Financing Strategies for Every Stage of Your Business. U.S. Chamber of Commerce. https://www.uschamber.com/co/run/business-financing/financing-strategies-for-business-growth*

DOI: 10.54254/2754-1169/2025.19797

[7] *Sah, P. (2023). Factors Affecting Funding Choices of Entrepreneurs in India: An Analytical Study. Psychology and Education.*

[8] *Shapran, V., & Britchenko, I. (2021). Financial Mechanisms of Ensuring the Development of Business under High Interest Rates. International Finance e-Journal.*

[9] *Huang, J., Tang, Z., & Wang, X. (2023). Comparison of the Financing Approaches for New Energy Vehicle Industry. BCP Business & Management.*

[10] *Wang, K. (2017). Research on the asset securitization financing issues of non-bank consumer finance institutions based on trust structure. Nanjing University.*

[11] *Lee, C. C., & Xiao, S. (2021). Policy-related risk and corporate financing behavior: evidence from China's listed companies. North-Holland.*

[12] *Wu, T. (2019). Analysis of Financing Plan for Real Estate Development Project. Open Journal of Business and Management.*

[13] *Zheng, H. (2017). Debt financing of real estate enterprises and its structural optimization countermeasures - from the perspective of debt financing scale, term and source structure. Urban Journal, 38(02), 31-35.*

[14] *Wang, L. X. (2024). The Case Study on Perpetual Bond of China Fortune Land Development. Chinese Academy of Fiscal Sciences.*

[15] *Dai, Z. (2022). Research on Securitization Model and Financing Effect of Supply Chain Finance of Housing Enterprises--Take Vanke Group as An Example, Guangzhou University.*

[16] *Fu, J., Naren, G., & Yu, H. (2023). Comparison of Real Estate Market Level and Financing Mode of Real Estate Companies. BCP Business & Management.*

[17] *Wang, L. (2024). Analysis on the mechanism of supply chain finance alleviating underinvestment of retail enterprises from the perspective of dual regulatory effects. Business Economics Research, (18), 135-139.*

[18] *Zou, Y. (2021). Supply Chain Finance Model and Effect Analysis Based on E-commerce Platform: A Case Study of Suning.com Co. Jiangxi University of Finance and Economics.*

[19] *Sha'ari, U., Hamzah, S., & Kamil, K. (2023). Financial Sustainability of A Firm: Debt-Based or Equity-Based Financing to Pursue?. Journal of Islamic Monetary Economics and Finance.*

[20] *Querci, F. (2023). Supply Chain Finance techniques and risks. Risk Management Magazine.*