



## B2B evaluation framework on e financial guarantee service

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### ABSTRACT

Because small and medium sized businesses form the basis of the national economy, creating conditions under which they can maintain stable growth in a more competitive environment is a principal challenge for continuous economic growth. Due to a lack of managerial resources in practice, however, they experience difficulties in raising funds and accessing the financial market. On the other hand, B2B electronic commerce is growing at a rapid pace as an electronic trading agent and B2B electronic payment is expanding in terms of a company's cost reduction and outsourcing. As B2B electronic payment products are expanded due to the introduction of the B2B electronic commerce guarantee, the trading amounts are noticeably increasing. However, even though the B2B electronic commerce guarantee service provides many benefits and good effects, it accounts for only a small part of total electronic commerce. Furthermore, many companies lack awareness of the value of the B2B electronic commerce guarantee service, and they do not use it actively or regard it as a means of payment. This study analyzes the economic effects on the electronic guarantee gateway introduced as a solution to procure funds and approach the financial market for small and medium businesses. It divides the stakeholders of the electronic guarantee gateway into credit guarantee organizations, banks, e-marketplaces, selling companies, and small and medium sized purchasing companies, and its economic effect is analyzed based on their objective data.

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### 1. Introduction

Because small and medium sized businesses form the basis of the national economy, creating conditions under which they can maintain stable growth in a more competitive environment is a principal challenge for continuous economic growth. Due to a lack of managerial resources in practice, however, they experience difficulties in raising funds and obtaining access to the financial market. On the other hand, B2B electronic commerce is growing at a rapid pace as an electronic trading agent and B2B electronic payment is expanding in terms of a company's cost reduction and outsourcing. As the B2B electronic payment products are expanded due to introduction of the B2B electronic commerce guarantee, the trading amount is noticeably increasing [1,2]. However, even though the B2B electronic commerce guarantee service provides many benefits and good effects, it accounts for only a small part of the total electronic commerce. Furthermore, many companies lack awareness of the value of the B2B electronic commerce guarantee service, and they do not use it actively or regard it as a means of payment [3]. Therefore, this study would like to analyze the economic effects for the benefits and ripple effects provided by the B2B electronic guarantee gateway.

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## 2. Preceding studies

### 2.1. Concept of the B2B electronic commerce

In general, companies purchase materials required for production to carry out proper manufacturing processes and then sell the products to the market, for such a purpose, it is necessary that they purchase products required for their activities from other companies or that they supply their products to other companies. Accordingly, B2B (business to business) electronic commerce can be defined as the company's valuable activities carried out in the virtual space using electronic media such as the Internet [4,5].

A typical model of B2B electronic commerce is the Walmart's inventory control with POS (point of sales) systems and satellites, which was the beginning of Internet business between companies. It can be considered in a broad sense that B2B electronic commerce includes a form, which mostly exploits the EDI (electronic data interchange) on the network to place orders between companies or to pay invoices, and also the cyber trade form that posts offers to look for buyers, investigate their credit and select items on the Internet. On the other hand, in a narrow sense, the concept of B2B electronic commerce can be established by restricting it to transactions between companies based on the Internet [6–8].

### 2.2. Analysis and measurement of performance

Performance analysis is the measurement of performance evaluation of business activities. Explaining performance analysis by dividing it into performance and analysis, the former means a balance that deducts the cost of obtaining a gross profit earned as a result of managerial productive activities. It can be considered as a difference between the invested and the produced values. In addition, management performance can be calculated as some won per invested capital unit or some percent for the total invested capital in other ways. Analysis is one of the business accounting's functions, which considers assets, liabilities, profits, costs, gross profit and loss as a monetary unit. In combining these concepts of performance and analysis, performance analysis means an understanding of the balance of costs for obtaining a gross profit earned as a result of managerial productive activities as a monetary unit, and this concept could be said to be a typical one of financial accounting.

In the concept of managerial accounting, performance analysis is understanding how far business activities approach the organization's goal, which evaluates input, output, transformation and productivity in manufacturing and non-manufacturing businesses (Lockamy and Cox, 1994). Therefore, performance analysis in the concept of managerial accounting expands the scope from a monetary evaluation of managerial accounting's profit and loss to evaluating every performance of business activities, in which the measurement unit is not limited to the monetary one. Every activity index which should be recognized during conducting the business strategy established to achieve the organization's goal can be a target of the performance analysis [9,10].

Performance analysis can be defined as evaluating how far the task is carried out based on a certain criterion or decision system for improving organization's effectiveness and efficiency as a process of the management control system. The term performance measurement is used as a similar concept to performance analysis, which Neely et al. (1995) defined as a process to quantify the effectiveness and efficiency of actions, the performance measurement value is the measure used for quantifying the effectiveness and efficiency of actions, and the performance measurement system is a set of means used for quantifying the effectiveness and efficiency of actions. In other words, the performance measurement can be defined as evaluating a level of properties or characteristics such as input, action, output and results like the performance analysis [11–14].

## 3. Analysis on economic effects of the electronic guarantee gateway

### 3.1. Design of a model to analyze economic effects

The electronic guarantee gateway processes procedures such as guarantee request, guarantee issuance, lending of funds on purchase, ordering of goods and payment online. This study would like to analyze the economic benefits from a viewpoint of each stakeholder involved in the system based on these procedures.

The electronic guarantee gateway is designed as a 'Hub and Spoke' connection method between banks and guarantee organizations, between guarantee organizations and e-marketplaces, so that it defines economic benefit, which could be obtained compared to the 'Point to Point' connection method, as the primary benefit.

The point-to-point connection method for the electronic guarantee gateway has a problem that it is difficult to expand. It is difficult to update and support standardization in a single aspect, and it requires expenditure, time and manpower etc. for the initial construction level when adding a new bank, guarantee organization and e-marketplace etc. In addition, complementary measures should be prepared in advance for reliability of the information distributed without particular control, user responsibility, security and stability, payment and mutual authentication for transactions etc. In contrast, the 'Hub and Spoke' connection method is easy to expand. It can increase the connection integration of network (community) participants, and introduce and apply an additional system through a flexible structure. In other words, because the connection system is easier and faster to install, the installation cost is reduced, it is easy to upgrade, and the work load

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