Research on Enterprise Financial Risk Management in Financial Innovation Environment

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Abstract: Financial innovation is the current economic and social trend, which meets the needs of the development of the market economy. However, as a double-edged sword, it brings economic benefits, and also creates hidden dangers to the global economic environment and the orderly flow of international financial capital. It also makes the financial capital of global enterprises affected by more factors. Changes in domestic and foreign situations and the gradual refinement of financial supervision policies have put forward higher requirements for the management and control of financial risks of major enterprises. This article mainly analyzes the financial innovation environment, locates common financial risks of enterprises, studies the problems existing in the process of corporate risk management, and puts forward corresponding suggestions for the effective management and control of corporate financial risks.

1. Introduction

Financial innovation is the only way for financial development. It includes both the innovation of financial institutions, institutions and markets in a broad sense, as well as the innovation of financial instruments in a narrow sense. Although financial innovation has allowed a few companies to maintain short-term competitive advantages for a period of time, due to the full competition in the market and the rapid spread of information, this difference has been eliminated. From the current market perspective, there are many types of financial institutions, but the emergence of multiple financial products and financial instruments has blurred the boundaries between different financial institutions, and the original specialized institutions have become comprehensive development institutions. For example, the emergence of “Yuebao”, which launched a large number of currency and financial products, not only has the characteristics of high interest rates and high liquidity, but also has the characteristics of low risk. Therefore, it has absorbed a large number of investors in a short period of time, and then the products of various platforms Both in nature and income are gradually converging, and the fate of standardization and homogenization is inevitable.


2.1 Financial Risks Caused by Asset Securitization

First of all, the asset capitalization of securities has increased the financial leverage of assets, increased currency liquidity, brought about a certain degree of currency depreciation, and brought corresponding shocks to the policies implemented by the monetary authorities. Second, in the process of asset securitization, banks and other rating agencies must evaluate and grade the asset, and sometimes banks increase financial leverage in order to increase operating income, thereby pushing greater risks to investors and the entire financial market.

2.2 Market Speculation Expands Financial Risks

Financial markets provide a great deal of convenience for evading financial risks and speculation. Investors can use financial instruments not only to obtain returns, but also to transfer and control risks. The coexistence of investment and speculation has activated financial markets and increased
the possibility of a crisis.

3. The Main Problems of Corporate Financial Risk Management

3.1 Risk Identification

3.1.1 External Risk

The external financial risks faced by enterprises can be regarded as the risks of the financial market itself, mainly including the following aspects. First, market risks, including changes in interest rates, exchange rates, market prices, and stock prices, cause corporate assets to face risks. These factors have a large impact on the enterprise, which is often beyond the control of the enterprise, and the development trend is also difficult to predict. The second is the external environmental risks. Economic globalization has led to the formation of an inseparable whole of the economies of various countries, so it often affects the whole body. For example, changes in a country's political and economic policies, or even a domestic financial crisis, will cause fluctuations in financial markets around the world and cause a downturn in the world economy.

3.1.2 Internal Risk

The internal financial risks faced by enterprises mainly come from the lack of sound management decision-making and risk control systems, which mainly include the following aspects. First, credit risk, especially the online financial credit risk generated by the emerging online financial market. In corporate transactions, one party faces financial risk because the other party cannot repay the debt on time. Second, liquidity risk. In the course of business operations, liquidity of funds can often be used as a sign of operating conditions. The poor liquidity of the funds indicates that the assets of the company cannot be realised in time, that is, lack of sufficient cash flow to pay off debts. Third, operational risks, poor corporate management and lack of a mature management system are the most common causes of internal risks. Fourth, financing risks and investment risks, both of which are also important sources of financial risk within an enterprise. Funding risks mainly include problems such as lack of funding channels and insufficient funds; investment risks mainly include corporate investors blindly pursuing high returns but ignoring investment traps, while another type of investors is wasting resources due to over-conservation. The risk of investment and fund raising is a common problem in most enterprises.

3.2 Problems Existing in Corporate Financial Risk Control

3.2.1 Insufficient Supervision and Management Mechanism

As the government's supervisory authority, many of its financial supervision departments should play important roles in corporate risk control and maintaining market stability. At present, the government lacks a strict monitoring mechanism for some financial institutions and financial innovations, which has led to the inability of the regulators to disclose the information of bad credit companies in a timely manner. At the same time, the review and rating systems of some financial products by the regulators need to be improved, and relevant laws and regulations should also be improved. Continuous improvement to ensure the good stability of the financial market, the fairness of the financial derivatives market still needs to be improved.

3.2.2 Lack of Financial Risk Early Warning Mechanism

Many companies do not pay attention to risk management and prevention in their own management operations, so they only make up for the risks after they occur, causing huge losses. In addition, some companies did not comprehensively consider the risk situation of the product and the relationship between the product and the enterprise when innovating financial service products, and ignored the possible impact on investors. This type of risk is mainly caused by the lack of corporate risk prediction and quantification procedures, and the lack of reasonable early warning of possible financial risks.
3.2.3 Financial Product Innovation Quality Control Has a Low Level of Specialization

The development of financial products is inseparable from employees who have both professional knowledge and professionalism, and financial institutions should evaluate the risks of financial products in a responsible manner to prevent the situation of one-sided pursuit of high returns and neglect of risks. The development of financial institutions in China is relatively late, so there is a lack of relevant professional practitioners and the qualifications of risk management practitioners are uneven. Therefore, they have no corresponding experience in dealing with financial risks. At this stage, a large number of Internet financial institutions, such as the more popular P2P platforms in recent years, face most of the financial risks due to the lack of review of financial products and the use of some non-performing assets as financial targets.

4. Enterprises Carry out Effective Risk Management Measures

4.1 Financial Regulators Should Increase Risk Control

The government supervision department should continuously strengthen the supervision function of the financial market, update and disclose the information of relevant enterprises in a timely manner, and provide convenient information for corporate financing. First, strictly control the loan business provided by banks to enterprises, and carefully review the loan qualifications of enterprises to prevent financing and operational risks. Secondly, financial regulators should also publish industry blacklists in a timely manner to avoid a wider impact caused by poorly qualified employees and non-performing loan companies. While the government is issuing bonds on a large scale, attention must be paid to ensuring the fairness of the bond market, thereby reducing the risk of enterprises using this channel for illegal money laundering. Finally, financial supervision institutions should expand their business scope while monitoring enterprises, use quantitative tools to measure the degree of financial market risks, and help small and micro enterprises to obtain loans from formal channels, so as to improve the efficiency of financial market operations.

4.2 Enterprises' Own Sound Financial Risk Warning Mechanism

Establishing a complete and rigorous financial risk warning mechanism is the first step for companies to effectively avoid financial risks. Enterprises should plan according to their own business scope, unique needs and development conditions, and combine market information, such as industry market trends, international market changes, policy changes, and analysis of development trends of competing companies, to formulate their own early warning plans. To avoid market interest rate risk, companies can use modern financial instruments, such as forward interest rate agreements, interest rate guarantees, and interest rate limits. With regard to exchange rate risks, enterprises can sign tools such as currency hedging terms, hedging, and exchange rate sharing to ensure the security of international trade. With regard to financing, investment risks and operational risks, enterprises should take into account both internally and externally. Internally, they should establish and improve company rules and regulations to attract professional talents. Externally, they must always analyze policy factors and market trends, strengthen monitoring of loans, and ensure full repayment on time.

4.3 Improvement of the Quality of Financial Product Innovation

Because financial innovation and financial risk awareness are in their infancy, the talents in the enterprise risk department and their shortage, and knowing financial knowledge is far from enough to improve financial prevention. In order to ensure the innovation level and safety of financial products, enterprises should train employees and cultivate a group of management talents with good risk awareness. With regard to financial products, enterprises should adapt to the current situation, and with the development of Internet finance, rational use of Internet derivatives on third-party platforms for financial derivatives and the provision of Internet financial products can not only ensure security, but also reduce costs. In order to avoid financing risks, companies can also raise funds from the society by issuing high-quality stocks and bonds, and expand to overseas markets to
expand high-quality financing channels.

5. Conclusion

In the context of economic globalization, there are risks and hidden dangers in the survival and development of enterprises, including factors such as market exchange rates and interest rates, as well as the risks of enterprises' own operations and financing investments. Strengthening the management of enterprises by financial institutions plays an important role in stabilizing the financial status of enterprises. Enterprises should establish a sound financial risk response mechanism, attract outstanding financial risk control talents, expand international business and high-quality financing channels, thereby improving their ability to deal with financial risks, and ensuring the quality of financial innovation products, so as to predict financial risks more accurately and control it in the bud stage.

References


