

# **The Influence of the Real Right System Reform on Private Enterprise Financing under the Background of “Property Law”**

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**Abstract:** Under the background of “property Law”, the reform of security interest system has greatly influenced the private enterprises' financing effect. Based on this, this article from the fixed assets shall be accounted for, the enterprise scale, regional environment of the corporation, the three aspects, in detail elaborated system of real rights for security transformation for the effects of corporate financing, achieved under the background of the property law, depth analysis of private enterprises financing status, hope to be able to provide power for the development of private enterprises.

## **1. Introduction**

After the reform of real right for the security system and the property law have made the types of security interest aplenty, improved framework of mortgage and pledge right system, ensured the debt and creditor's rights better, alleviated the financing difficulties and slow financing problems of private enterprises in the past, and helped deepen the work of entrepreneurship and poverty alleviation, as well as China's market economy has injected vitality.

## **2. The Impact on the Financing of Enterprises with Relatively Low Fixed Assets Proportion**

### **2.1 In Terms of Financing Operation Space**

The “Property Law” mainly emphasizes the principle of the integrated protection of public and private property rights, and proposes that all subjects of market should have equal rights and status of development. Meanwhile, it also clarifies in Article 4 that the real rights of private, collective, state and other right holders are protected by law. In addition, it also clearly defines the real right, which lays a solid foundation for the implementation of the guarantee system. Since then, under the background of the guarantee system reform, the Property Law has included a large number of movable property into the scope of collateral, comprehensively expanding the financing of operation space, and reduce the financing difficulty of enterprises with relatively low fixed assets. In this process, the property law of the provisions, such as the 233, 228, 180, 223 to accounts receivable, inventory, and fund share personal property all belong to the scope of the pledge, make the fixed assets of low enterprise have to the creditors' talks, choose specific financing capital, at the same time, the guarantee system of the change is reflected in the mortgage of a lean, namely, under the condition of lending both sides cannot agree agreement, the mortgagee may directly apply to the court for selling off the mortgaged property, without having to walk past litigation process, make payments more convenient, has provided the safeguard for borrowers, This kind of guarantee can also be used as the financing negotiation capital of private enterprises, so that its operation space has been widened.

### **2.2 In Terms of Financing Transaction Costs**

From the perspective of the reform of the guarantee system, the Property Law has improved the implementation procedures and specific setting of security rights, which, to a large extent, has alleviated the financing transaction costs of private enterprises where fixed assets account for a

relatively low proportion. Again, in the process of “property law” article 224 and 212, explicitly points out that the personal property, the right of pledge of movable property, both to “deliver” for the effect of the main conditions, that is to say, only in inventory, accounts receivable and other movables delivered to creditors, pledge of chattel can truly effect, the definition of the pledge right of formation is more clear, at the same time, also reflects fully respect of party autonomy, improve the flexibility of the chattel trade, combining with the real rights for security system, put forward the standardization of the order for the creditor, the debtor the rights and interests of both sides provides the strong guarantee, therefore, On the basis of tilting the loan terms to the chattel, the loan threshold set by the borrower to guarantee its own rights and interests will also be lowered, reducing the financing cost of private enterprises. In addition, in the process of reform, the state has formulated a clear procedure for realizing the real right of security. Therefore, in practical operation, the two sides can also simplify the additional procedures due to the ambiguous procedure formulation, which is conducive to reducing the financing of operation cost and optimizing the financing of convenience of private enterprises.

### **2.3 In Terms of Financing Guarantee**

According to the research of Hart & Moore et al., in the imperfect capitalist market environment, the debtor's ability to provide reliable collateral is the decisive factor of its ability about financing. Therefore, the financing of guarantee factor is directly related to the financing of effect the private enterprises. In this process, because the system of real right for security has brought a large number of movable property into the scope of mortgage assets, the movable property has become a reliable collateral, which has greatly enhanced the value of movable property, as well as its potential trading opportunities and liquidity in the market, which provides a strong guarantee for creditors to be compensated, and at the same time, this provides a relatively low proportion of fixed assets for private enterprises. It provides the financing guarantee. In addition, in view of accounts receivable, which is an intangible and risky movable property in the pledge transfer, the promulgation of the registration method of pledge of accounts receivable also makes the operation of the movable property has a standardized registration procedure, which not only improves the benign liquid of private enterprises' assets, but also promotes the rapid improvement of commercial credit of private enterprises and enriches the credit of enterprise financing guarantee is helpful to improve the debt financing ability of private enterprises.

## **3. The Impact on the Financing of Small and Micro Private Enterprises**

### **3.1 Financing Constraints**

For small and micro enterprise, due to the size of its structure about asset has such traits as small, asset types, single, make its on the dimension, presented the obvious financing constraints, at the same time, bank credit based on the Chinese economy experience, and risk control purpose, usually more emphasis on factories, land, machinery, and other fixed assets, as well as the importance of number, and small micro enterprise itself assets held by the relatively small size, so can be used for mortgage movable or immovable property was less, its often need to face a larger financing constraints. But after the reform, the guarantee system will fund share, accounts receivable into the scope of the mortgaged property, relieve the conditions of small private enterprises lack collateral, at the same time, the accounts receivable as collateral, can also encourage small and micro enterprises to provide credit to its business partners and promote the growth of the overall market commercial credit and reduce the small micro enterprise financing constraints. In addition, under the background of the real rights for security system reform, improve current assets market value, has also encouraged mortgage, is leaning to current assets, which to a certain extent, enhance the small micro enterprise financing ability, and can also help small micro enterprises, the use of liquid assets, to other business partners to seek financial support, further cuts in corporate financing constraints, for small micro enterprise gradually to run on track, has played a powerful role in promoting.

### **3.2 Short-Term Borrowing and Financing**

In short-term lending financing ways, the reform of the system of real rights for security, while fulfilling the small micro enterprise pawn quantity, type, makes its have to hold more mortgage assets, but because of the large number of small micro enterprises, therefore, in the case of a large number of enterprises to apply for a loan from the bank, the bank may still lack of willingness to lend to small micro enterprises, led to a few small micro enterprises still exist in terms of short-term lending financing difficulties. However, small and micro enterprises can use accounts payable as a new collateral to seek financial support from other business partners, forming an alternative financing channel in addition to short-term borrowing. Under this kind of financing channels, the business process between enterprises, formed by the information advantage, can effectively control the risk of borrowing funds. Therefore, in the financing constraints are present, the commercial credit financing channels, to better help small micro enterprise financing. For example: under the condition of the bank credit rationing constraints, small micro enterprise funds directly to the suppliers for help, can also complete the financing. Therefore, under the background of the property law, the reform of the system of real rights for security, for small micro enterprise financing provides more choices, weaken the financing difficulty, help to inspire more people to business, enrich our country's economy market main body.

### **3.3 Long-Term Borrowing and Financing**

From the perspective of long-term borrowing financing, compared with short-term borrowing, creditors will not only face greater risks due to the long term, but also there is no alternative way for long-term borrowing. Therefore, although the security right system has been reformed, its impact on long-term borrowing of small and micro enterprises is still lagging behind. In this process, the solvency of small and micro enterprises is relatively weak, and long-term borrowing risks are high. Therefore, creditors tend to weigh loan decisions more carefully, making them more inclined to fixed assets. In addition, although the reform of security right system makes the potential liquidity value of movables higher, the market liquidity value of movables is still in the development stage and cannot play an immediate role in the financing of small and micro enterprises. But in this process, the real rights for security system reform, the impact on short-term funding, make the financing of situation of small and micro enterprises have been improved, contribute to its future business performance optimization, when the bank found its business performance optimization, it is often appropriate to increase lending for a long time, as a result, real rights for the security system in small micro enterprise loan financing for a long time, there are many positive effects, but the positive influence to lag in [1].

## **4. The Impact on the Financing of Private Enterprises in Different Regions**

### **4.1 Influence in a Region with a Large Degree of Intellectual Property Protection**

Under the background of “Property Law”, the reform of real right system of security has included the assets supporting the property right, such as the right of the trade secret and the right of new variety, into the category of collateral. Meanwhile, the protection of intellectual property has also been gradually enhanced. However, in this process, due to vast territory of China and the uneven level of economic and cultural development in various regions, regional differences often appear in the actual implementation of the reform system. In areas with strong intellectual property protection, intellectual property pledge has become a new financing pledge. Due to the general shortage of enterprises in various fields in the holding of fixed assets and other traditional collateral, more and more enterprises will choose the financing mode of intellectual property pledge to strengthen their financing of ability. At the creditor's level, due to the effective protection of intellectual property, intellectual property has its due value, and the intellectual property pledge mode will gradually be popularized. At this time, banks are relatively high in accepting this financing mode, so they are basically willing to accept this type of collateral. However, the improvement of the acceptance of the creditor to the pledge of intellectual property rights should be a phased process, and only after its

popularization reaches a certain degree, will it show an obvious promotion effect of financing. Under this role, the market liquidity value of intellectual property will be higher, and reverse promote the improvement and development of intellectual property protection mechanism, so that the financing mode of intellectual property pledge can realize sound operation, and enhance the effectiveness of the reform of security right system. In addition, the continuous improvement of the value of intellectual property also enhances the investment intention of enterprises in all fields of research and development, which contributes to the development of scientific and technological level in all fields [2].

#### **4.2 Influence in Small Areas of Intellectual Property Protection**

In areas where the protection of intellectual property is relatively weak, the reform of the security right system of the Property Law endows the financing of value of intellectual property, which enhances the awareness and intensity of enterprises' protection of their own intellectual property, and also speeds up the implementation of relevant laws. In this process, at the initial stage, the pledge of intellectual property will take great risks. Therefore, banks are basically unwilling to accept this type of collateral, which leads to the inability of private enterprises to obtain financing and reduces the influence of institutional reform. With the gradual strengthening of intellectual property protection, its real value will be reflected step by step. At this time, the risk of intellectual property pledge will be gradually reduced, and banks will be willing to accept such pledges, so that the financing promotion effect of private enterprises in institutional reform will be reflected in the form of lag. In addition, the intellectual property rights of general private enterprises are usually relatively safe. Therefore, in the process of financing negotiation, private enterprises will be more confident and banks will be more willing to lend, which weakens the financing difficulties of private enterprises. But due to intellectual property protection of small area, to undergo a process of property right protection gradually increases, therefore, the reform of the system of financing function takes a long time to be into full play, at the same time, the reform of the system effects on the financing of private enterprises, in the region will also get more obvious embodiment of [3].

#### **5. Conclusion**

To sum up, with the aid of the security right system, private enterprises can achieve efficient financing and ensure their stable development. In the financing of private enterprises, the reform of the security right system of the Property Law can reduce the impact of fixed assets holding on enterprise financing, reduce the financing difficulties of small and micro enterprises, and improve the value of intellectual property, so as to improve the financing problem of private enterprises and promote the upgrading and transformation of China's industrial development.

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