Brief Analysis on the Risk of Chinese Enterprises under the Loose Monetary Policy

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Abstract: With the development of the economy, the influence of Chinese enterprises in the international arena is also growing. Facing the global financial crisis that broke out in 2007, Chinese enterprises have also suffered a huge impact. In the long run, the low interest rate loose monetary policy adopted by central banks in order to save the market has also become a hidden danger in the next financial crisis. So this paper conduct an analysis on the risks that companies face when they face loose monetary policy.

1. The relationship between monetary policy and corporate risk

As a company, external financing is an important part of corporate development, and changes in monetary policy will have a huge impact on the external financing environment. According to the different adjustment methods of monetary policy, enterprises must constantly adjust to adapt to changes in the financial market. This makes companies have to invest more in high-risk, high-yield projects.

1.1 Changing interest rates

With the change of bank interest rates, the operating costs of enterprises will also change. The decline of bank interest rates will enable enterprises to choose more risky projects, and the income structure of the projects will be develop in a positive direction. Therefore, the feature of interest rates can be used control the risk of the enterprise by regulating the external financing cost. In the low interest rate environment, the competition in the industry will become bigger and bigger, the enterprise is hopeless for the future development prospects, and has to carry out high risk and high income. s project.

1.2 Changing the amount of credit

Bank credit is essentially a similar way to regulating interest rates. When the monetary policy is tightened, the bank's capital storage will be greatly reduced, and the funds that can be loaned to the company will be reduced accordingly. This will make the company's capital supply suffer great restrictions. Therefore, when the tightening of monetary policy is implemented, the ability of enterprises to undertake high-risk projects will be greatly reduced. On the other side of credit, the corporate debt channel will lead to an increase in the value of physical assets such as the net asset value and collateral value of the enterprise when the state implements the policy of low interest rate, and the external financing of the enterprise will be greatly reduced. The choice of credit in the market has been greatly reduced. Lowering the expected value of default probability and default loss has become the regulation mode of financial intermediaries such as banks, and the supervision of loans will also be greatly reduced. At this time, the company will invest ample credit funds in high-risk projects to earn excess income.

1.3 Future expected guidance

When information exchanges between financial institutions and companies who are the main players in the market, the application of the expected guiding effect will have an impact on the company's future risk estimates. Therefore, the expected guidance is an important means for the central banks of various countries to regulate the market. Effective communication can be achieved by creating public opinion, which can improve the predictability of policies and improve the accuracy of corporate planning expectations. Improve the expectations of enterprises in the expected market, this way can not only better understand the specific behavior of corporate risk-taking, but also provide a certain reference for the formulation of national macro-monetary policy.

2. The Specific modeling data operation

In order to test the relationship between monetary policy and corporate risk taking, first refer to the ccio model and establish a dynamic panel to explore the existence of risk-taking mechanisms in the corporate sector.

In order to test the relationship between monetary policy and corporate risk taking, first refer to the ccio model and establish a dynamic panel to explore the existence of risk-taking mechanisms in the corporate sector. Based on the financial currency risk channel, the dynamic panel model is further established and collected and tested according to the differences in enterprise characteristics. We believe that there are significant differences between companies with different characteristics, different scales and different industries. Therefore, before the formal regression model, in order to avoid serious multi-polarization between explanatory variables, budget decisions are affected, and some data are selected for analysis. The results show that the correlation coefficient between most variables is relatively small, indicating that there is no serious multicollinearity problem between the described variables, and the risk sensitivity after being affected by the low monetary basis is also small. Due to the large number of company samples, in order to capture the dynamic characteristics of risk and obtain more accurate estimation results, this paper uses the general time method of the system to estimate. The general time system of the system can be divided into general period and two general time steps. Since the two-step general result has strong stiffness in heteroscedasticity and cross-correlation, a general two-stage time estimation method is adopted, but since the two-step estimation method sometimes underestimates the standard deviation and increases the coefficient of interest, we finally use strict A robust two-step correction is used to arrive at a statistical conclusion. The specific form of the model is as follows:

FRISKit=βFRISKit-1+β0+ LMP+β1OCi t+β2LNSI ZEi t+β3SGt+β4ERi t+R0l Ait+~LNBGi t+GGRt+INDUSTRYt+i+fi.

FRISKit=FnlsKit-1+β0 MPt+LMP+β0OCit+ LNSIZEit+3SGit+ ERit+ ROAit+ LNBGit+island GGRt+XoSTATEi+~ kiSI ZEDUMi +) k3REDUMi+ i+f i;

In the model: FRI SK is a company risk-taking variable; MP is the proxy variable currency position; LMP is used to test the long-term impact of loose monetary policy on the company's preparedness to take risks, accurately determine the impact of monetary policy on corporate risk decision-making, and introduce influence The company assumes the control variables of risk capabilities. Special businesses are terms that are white noise errors. For the group check, three dummy variables are set in the second model.

The special effect of the company is the error term of white noise. Set three dummy variables in the second model for group checking. Regarding the choice of enterprise risk measurement indicators, since the risk level leads to more market assets in the process of generating surplus value, the profit variability (standard deviation) is used as the proxy variable of the company's risk-use indicator. Determine the factors that describe the risk of corporate investment, ROA). The formula is: D(ROA) = $\sqrt{\sum}$ (ROAi \sum ROA') 1 T=3

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The relationship between monetary policy and corporate risk taking is also influenced by the company's micro-characteristics and macroeconomic environment. We manage these variables to clarify the exact relationship between them to precisely control the variables. Set stocks (OC), which is the total number of shares held by the top 10 shareholders. It is widely believed that a single large shareholder expects a higher private interest and is reluctant to take on higher risks to protect private interests. Companies that are jointly controlled by a diversified shareholding

structure may take a higher risk. Return on assets (ROA) reflects the company's performance. Motivation for profitability surveys shows that loose monetary policy improves the company's external financing environment and achieves high returns after financing costs, which makes companies tend to choose risky projects. The equity ratio (ER) reflects the company's solvency and equity ratio, the company's growth rate and growth prospects. The greater the company's financial risk, the stronger its ability to pay long-term debt. This shows that the company is facing a close risk and equity ratio. According to previous studies, we screened these listed companies: First, the financial listed companies and listed companies were excluded during the sample period, and then the missing samples were deleted, with only three samples of complete data. Finally, a total of 1,106 operational data were obtained. This article also smears the filtered run data to eliminate outliers. The data comes from the E2's M2 GR database. The project sequence correlation test results can be analyzed to show that the population regression is reasonable. Overall, in terms of business, the size of the firm and the industry being examined by the company, as well as the degree of monetary policy role are also the same.

Tightening monetary policy will also have a greater impact on the risk-taking of non-state-owned enterprises. The reason is that in this context, the state replaces the people to exercise enterprise management rights, enterprise establishment, personnel selection and management, and so on. The parties are subject to more supervision by government departments, which has led to some conservative Chinese companies in project investment decisions. Secondly, state-owned enterprises have greater financing advantages, monetary policy tightens, and social financing costs rise. State-owned enterprises with "convenience" funds will not make major adjustments to previous institutions under the influence of changes in monetary policy. Even if you have a good risk strategy, non-government companies that do not have this advantage must consider the risk of failure of investment projects because they cannot get proper financing. The absolute value coefficient of the monetary policy effect of SMEs is larger than that of large enterprises, indicating that SMEs are more willing to implement high-risk projects in a loose monetary policy environment.

In order to analyze the risk-taking of real estate companies, this paper divides enterprises into real estate and non-residential enterprises. The results show that when the interest rate drops by 1%, the risk-taking level of real estate enterprises will be 73.9 percentage points higher than the risk-taking level of enterprises. Relatively low, it shows that real estate companies have higher risk tolerance than other companies. It is also in line with the reality of China. The loose financial environment and the suspension of capital market development led to a large amount of funds accumulating in the real estate industry, speculation activities and local politics, government, developers and banks colluding to "kidnade the real estate market", triggering a real estate bubble. In addition, in the majority of group regression grouping results, we find that inertial characteristics have enterprise risks, the pursuit of interest motives and the risk of equity structure

3. The data results and analysis

Through the above data calculation, there is a significant negative correlation in the equation. When loose monetary policy is effectively spread in the real economy, the economy prospers and external financing constraints are greatly reduced. The company will have an optimistic expectation for the future, improve its risk tolerance and take on higher risks. It can be inferred that the central bank will use tight quantitative money manipulation tools (to improve DRR) or tighten currencies (to improve LR) to curb business risks. Positively related to FRISK, a long-term environment with low interest rates will increase the company's risk tolerance. .OC is closely related to FRI SK, which indicates that the more targeted equity company risk will be lower than the company with multiple equity. In other words, the company's diversified shareholder risk is higher than that of non-holding companies.

Since corporate risk exposure is the basis for other conclusions, we use the M2GR indicator for inheritance. The two-step validation of the VCE results indicates that the coefficient before M2GR is very low, confirming the dynamic relationship between monetary policy stance and corporate risk taking. Calculating the robustness of the company's group's robustness test also uses a two-step

pressure VCE and LR index. The results show that the previous LR coefficient is always improved, indicating that the relationship between monetary policy stance and corporate risk taking has always existed. However, the estimation of other influencing factors is different from the estimation of DRR. The reason may be that LR has a direct impact on the company's financing costs, and its increase and decrease are related to the difficulty of indirect financing. As China is still mainly based on indirect financing, it is the company's preferred financing method. Bank loans make LR a significant impact on business risk decisions.

After the Chinese economy entered a new normal, it was affected by the slow recovery of the global economy and the domestic "three-phase superposition". The downward pressure on the economy continues to heat up. At present, real economic development and corporate financial support reduce industrial financing, ultimately achieving strong growth and restructuring strategic objectives. Therefore, China is expected to remain low for a long time to come. In the financial environment, the use of monetary policy and regulations must strengthen risk prevention. Specifically, policy makers should always pay attention to micro-enterprise risk tolerance and respond to them, and oppose basic changes. They can establish a company's risk tolerance index, measure the level of corporate risk, and incorporate it into China's monetary policy. Under this framework, we will combine the interaction of macro and micro subject rules from the perspective of risk prevention, so that we can flexibly adjust monetary policy accordingly to meet the actual needs of the real economy.

4. Literature analysis

According to a research report released by the German Yuli Anyi Group, the average annual growth rate of corporate bankruptcies in 35 countries or regions with an economic output of 85% in 2010 has increased to a record 29%. The shipping company has been in bankruptcy. In a loose financial environment, many companies in the Pearl River Delta and other parts of China have also ceased production, and SMEs have also been affected by the "debt crisis" crisis. The difficulties of surviving far exceeded the early stages of the financial crisis, especially in 2014. Not only the collapse of Internet companies broke out, but also the settlement of large state-owned enterprises such as Eastern Real Estate Co., Ltd. . So, how much is the risk of loose monetary policy for companies? What are the mechanisms and other influencing factors of the financial risk-taking channels of the corporate sector? How can companies get rid of this problem? The answers to the above questions are inseparable. When studying the relationship between monetary policy and corporate risk taking, the discussion of these issues has important practical significance for improving the economic efficiency of micro-enterprises, avoiding excessive risk-taking, and achieving stability and economic development.

The existing research focuses on the role of monetary policy in enterprises from the perspective of investment and financing, but pays little attention to the role of enterprises in allocating monetary policy from the perspective of risk. From the perspective of risk analysis, theoretical logic also believes that monetary policy needs to convey risks indirectly. Through the financial sector for enterprises, that is, low interest rates, bank risk tolerance, rising credit standards, corporate risk commitments, monetary policy has not been clearly explained. In addition to the operational mechanisms for business risk, we find that most of the literature focuses on the impact of micro-enterprise characteristics on risk-taking commitments [11]. For example, Parirova and Mirr argue that ownership structure is an important decision factor for companies to take risky behavior. Companies that have different ownership characteristics also have a degree of risk tolerance. From the perspective of board governance characteristics, a higher management holding ratio will encourage managers to work harder to select investment projects with appropriate risk and income levels. He pointed out that companies with larger board of directors have lower profit and loss volatility and bankruptcy risk, but stressed that the impact on the company due to differences in board size cannot be generalized. While the above documents provide strong evidence of the factors that influence a company's risk exposure, there is little literature on the relationship between low-interest macro-monetary policy and corporate risk-taking behavior. Therefore, the purpose of this paper is to organize and study the mechanism of the monetary policy risk policy channels of the enterprise sector, analyze the changes in risk sensitivity of different enterprises, and expand the discussion of risk trading channels from banks to enterprises.

5. Conclusion

In the context of ample liquidity, companies must clearly understand the situation, strengthen their risk management, and not invest blindly. In order to accelerate development, companies must consider their own micro-feature risks when making decisions. To assume this role, it is necessary to analyze the relationship between macro-monetary policies and corporate risks. The risk management system developed by various companies aims to actively reduce the leverage ratio and reasonable borrowing in a low interest rate environment and cope with the rising interest rate. Non-state-owned enterprises and small enterprises and real estate enterprises must always be vigilant. We also strengthen risk management and monitoring from the characteristics of enterprise management and industry characteristics, and are easy to bear risks. We believe that it is necessary to actively prevent and respond in a moderate financial environment. In order to avoid a large number of bank failures during the deep adjustment period, the government may adopt a proactive fiscal policy in the future. For example, tax reductions and exceptions for small and micro enterprises, basic subsidies for high-tech innovation industries, and coordination of monetary policies are ultimately important tasks for completing China's economic transformation and upgrading. In addition, there is a need to establish a smooth communication mechanism between micro-enterprises and financial institutions.

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