

Analysis on the Impact of Financial Innovation on the Investment and Financing of Chinese Enterprises

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Abstract: With the continuous development of financial innovation, which has an important impact on the investment and financing decisions of enterprises, the current financial environment of our country has experienced a huge change. Therefore, in the process of investment and financing, enterprises make decisions with the help of financial innovation, and broaden the channels of investment and financing, so as to improve the investment income.

1. Introduction

With the continuous development of our economy, the role of enterprises has become more and more important in the process of economic development. As the key to the development of enterprises, investment and financing directly affect the future development direction of enterprises. If we can better grasp the dynamics of financial market and combine the investment and financing activities of enterprises with the development trend of market economy, it is possible to further promote the rapid development of enterprises. This requires us to carry on the correct investment and financing decision, so as to continuously promote the development of enterprises.

2. Main Problems Existing in the Investment and Financing of Chinese Enterprises at Present

2.1 Main Problems Existing in the Investment of Chinese Enterprises at Present

At present, Chinese enterprises mainly face the problems of backward management mode, single investment channel, weak supervision measures and obsolete investment methods. In the process of investment activities, many enterprises find it difficult to discover the existing problems. Even if they are found, some cannot be solved in a timely and effective manner, which will cause enterprises to suffer investment losses, investment mistakes, investment waste and duplication. Moreover, enterprise investment still faces the problem of few investment variety. The main types of enterprise investments are creditor's rights, funds and stocks, some relatively new types of investment such as short-term financial bonds, as well as some relatively complex types of investment, such as tripartite agreements, pooled financial management, Trust and RMB financial management business and so on. Generally speaking, there are very few enterprise investment types, therefore, when engaged in investment activities, enterprises should focus on their own characteristics, strictly check, select the appropriate direction to invest activities, so as to ensure the maximum return of enterprise investment.

2.2 Main Problems Existing in the Financing of Chinese Enterprises at Present

At present, enterprises in our country mainly have the problem of small scale of direct financing and heavy reliance on indirect financing in the aspect of financing. With the deepening of market-oriented reform of Chinese economic system and the promotion of the reform of state-owned commercial banks, securities market has got a better opportunity to develop, which has continuously expanded financing scale of Chinese enterprises and increased the proportion of direct financing of enterprises. However, at present, compared with developed countries, the scale and proportion of direct financing of enterprises in our country is still relatively small, accounting for

only about 25% of the total. If national debt is deducted, the proportion of direct financing of enterprises is only about 10%, so we can see that the proportion of direct financing of Chinese enterprises is lower than that of indirect financing. In addition, as far as direct financing is concerned, there is also the problem of imbalance in internal structure. In the direct financing system of our country, the scale of corporate bonds and stocks issued by enterprises is relatively small, occupying a low share, and most shares are occupied by national debt. But in developed countries, direct financing part is usually the bond financing, whose proportion is much higher than equity financing. Usually, foreign enterprises will give priority to the use of corporate bonds to carry out external financing activities, therefore, at present, the amount of stock financing in our country is far higher than the amount of corporate bond financing. Finally, SMEs in our country are also facing the problem of difficult financing. With the development of our economy, SMEs have also made great progress, and occupy an important position in our national economy, playing a very important role in promoting the economic development of our country. However, in recent years, the development of SMEs in China has been greatly affected by the problem of financing difficulties. Their financing mode is relatively single, with endogenous financing as the main way, which is an important reason for the difficulty of financing.

3. Influence of Financial Innovation on Enterprises' Investment and Financing Decision at Present Stage

At present, in order to solve the problems faced by Chinese enterprises in investment and financing, financial innovation is a necessary measure, which can bring a positive influence to the investment and financing decisions of enterprises. Financial innovation mainly includes asset securitization, financial leasing and guarantee system of SMEs and so on.

3.1 Asset Securitization

Asset securitization refers to the financing process in which income and risk factors of assets that are short of liquidity but can produce predictable stable cash flow are reorganized and separated from risk elements through certain structural arrangements^[1], so that they can be converted into securities which can be circulated, sold, and financed in financial markets. From the point of view of investment and financing, the process of asset securitization actually refers to the process of recombining and dividing the characteristics of securitized assets, which is also the process of the development of financial instruments from the primary level to the advanced level. On one hand, all kinds of assets should adopt the value form of securities assets so as to make the combination of risk, income, liquidity and maturity easier. On the other hand, securitization of assets can provide investors and financiers with many different maturities, thus making previously difficult risk space and segmentation of asset returns possible as well as make previously discontinuous distribution of income and risk gradually becomes continuous, increasing to a large extent the set or portfolio points that investors and financiers can choose from in the investment space. All of these will greatly enhance the effectiveness of both parties.

3.2 Financial Lease

Financial lease refers to a financial method in which the lessor (the leasing company) buys the equipment selected by the lessee (enterprise, company) and rents the equipment to the lessee according to the agreement, and then the lessee pays the rent to the lessor^[2]. Compared with bank loans, financial lease has the following advantages. First, financial lease has simple and time-sensitive procedures. Generally, enterprise projects often require strictly on time, especially for some "short and fast" projects. If enterprises make bank loans in accordance with normal rules and regulations, because of complicated procedures of banks, the examination and approval procedures are cumbersome. Often, the whole process of applying for loans takes a long time. After loan approval is completed, the market environment has already changed radically. If enterprise takes financial lease, because of its convenient procedures, generally, 60 days will be enough to complete all procedures, so that enterprises are able to use the required equipment in time, and quickly seize

market opportunities. Second, financial lease does not require additional Guarantees and mortgages. Since ownership of equipment is owned by the lessor during the lease period, the leased equipment itself can be used as the security, therefore, no additional security or collateral is required normally. Moreover, financial lease pays more attention to the future development prospects of enterprise projects, therefore, there is no very high requirement for the lessee's previous debt situation. This allows enterprises that do not have credit with banks and innovative enterprises to invest in the medium or long-term equipment they need. Third, financial lease can reduce the debt ratio of enterprise assets. When an enterprise buys related equipment, if it makes use of bank loans, the loans will be listed as liabilities. Once the debt ratio of the enterprise is too high, its credit degree will be affected and corresponding banks will also reduce the credit line. However, under normal circumstances, financial lease will not be included in the balance sheet, thus reducing the asset-liability ratio of the enterprise, and providing convenience to carry out other financing according to its own needs. Fourth, financial lease can effectively avoid the risk of obsolete equipment. Financial lease allows the lessor to bear the risk of equipment obsolescence in the lease agreement in the process of signing lease agreement, and the lessee can return the equipment to the lessor at any time and rent new equipment again, thus avoiding the risk of obsolete equipment. Financial lease also plays a great role in enterprise investment. First of all, it can effectively stimulate the investment activities of enterprises, because financial lease itself has the function of financing, and will not be restricted by the accumulation of existing funds, so that enterprises can make investment activities more flexible. In addition, leasing investment effectively reduces risk without raising a lot of funds. The use of leased equipment for technical modification can be achieved in a short period of time. Secondly, financial lease is able to effectively curb investment inflation. Financial lease includes financial goods and financing, so that the amount of investment is restricted by physical supply. Besides, the investment structure is restricted by leased equipment, and the direction of use cannot be changed at will. Rent investment is of liabilities and is required to pay rent on time, which to a certain extent has formed a constraint on investors. Therefore, financial leasing objectively plays a role in restraining investment expansion.

3.3 Guarantee System of SMEs

As an important part of our national economy, SMEs play a very important role in promoting the economic growth and alleviating employment pressure. However, they are generally faced with the problem of financing, which greatly affects their development. The construction of a reasonable guarantee system can effectively solve this problem. Establishing a credit guarantee system of SMEs will effectively solve the problem of high financing cost. After the establishment of credit guarantee system, the financing cost of SMEs only includes bank interest and related fees, which is far lower than the cost of raising funds from private sector, which has played a vital role in reducing the financing cost. Besides, credit guarantee can open up new business of bank, reduce risk of operation, and reduce management cost of bank. In the process of lending to SMEs, banks need to go through more procedures and a cumbersome examination and approval process. The appearance of credit guarantee institutions can effectively simplify the banks' lending procedures so as to effectively reduce the management costs of banks. In the past, after the bank had completed the loan to SMEs, the bank had to face the problem of repayment. Once SMEs paid them back late or not, banks would face certain risks, and then credit guarantee organizations would appear to effectively help banks solve this problem, thus reducing bad loans, and stimulating banks to develop new credit business. Credit guarantee also has the function of economic leverage. Generally, the guarantee of enterprises and institutions is not professional with some shortcomings such as fragmentation, spontaneity, and so on. However, differently, credit guarantee focuses on specific objectives systematically and carries out several times their assets according to their own credibility and strength, therefore, this credit guarantee can play the role of economic leverage in the allocation of social resources, and provide an important means for the government to control the development of SMEs.

4. Conclusion

To sum up, with the progress of social economy, financial innovation has also been developed greatly, which has changed the financial environment. Therefore, when enterprises make investment and financing decisions, financial innovation should be fully made use of to reasonably choose the method of investment and financing so as to widen the financing channels and make the investment activities of enterprises obtain a higher profit return. However, no matter the innovation of financial business, financial instruments or financial system, it not only transfers and distributes the original risks, but also brings a lot of new risks which are difficult to overcome. When considering the impact of financial innovation on enterprises' investment and financing, it is necessary to pay attention to the risks of financial innovation itself. In order to ensure the correctness of investment decisions, and maximize the efficiency of enterprises, when making investment and financing decisions, we should proceed according to the characteristics of financial innovation itself and the actual needs of enterprises.

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