

*Original Research Article*

# The Problems and Countermeasures of Financial Management of Chinese Enterprises in the Construction of “One Belt One Road”

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**Abstract:** At present, many experts and scholars in my country have devoted themselves to the discussion of the problems and solutions of small and medium-sized enterprises under the background of “One Belt One Road”, to provide theoretical guidance for the development of enterprises, but due to the country’s management policies and laws and regulations for SMEs, there are still deficiencies. With the emergence of internal management factors of enterprises, a large number of loopholes and problems have appeared in the financial management system of SMEs. In order to effectively improve these problems, this article focuses on analyzing the current situation of SME financial management, exploring its existing problems and combine scientific financial theory and practical results and the enterprise’s own reform plan and the support of relevant national government policies which enable SMEs to seize development opportunities with the support of the government, optimize the internal management policy of the enterprise, establish and improve the financial management mechanism, and pave the way for the stable development of the enterprise.

**Keywords:** “One Belt One Road”; SMEs: Financial Management

## 1. Introduction

In 2017, the “Belt and Road” International Cooperation Summit Forum was successfully held in Beijing, and there was a wave of heated discussions throughout the country. The “Belt and Road” initiative has led more Chinese companies to go abroad and internationally, which has broad prospects for development, but “going global” may also bring considerable financial risks to companies. In particular, higher requirements and challenges are put forward for the financial management of enterprises in the fields of infrastructure construction, energy development, and finance<sup>[1]</sup>. At present, many companies that want to go global are actively exploring the transformation and reform of financial management. It is hoped that the challenges brought about by the “Belt and Road” can be turned into opportunities. This article has a strong practical significance for the research and discussion of corporate financial management challenges and countermeasures under the background of the “Belt and Road”.

## 2. Problems facing enterprise financial management in the construction of “One Belt One Road”

### 2.1 Challenges caused by differences in accounting standards of different countries

Countries along the “Belt and Road” are at the intersection of Eastern and Western civilizations, with different eth-

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-nic cultures and religious beliefs. Many recognized official languages involve many different accounting standards. Countries that use different accounting standards provide inconsistent accounting information when conducting trade transactions, which has brought obstacles to economic and trade cooperation and exchanges between countries along the route. Based on this, the coordination and convergence of the regions along the “Belt and Road” with international accounting standards will face greater challenges.

## **2.2 The impact of exchange rate fluctuations**

Among the countries covered by the “Belt and Road” initiative, some Asian countries still lack a relatively complete and stable currency system and failed to provide conditions for the free convertibility of RMB. “Going Global” companies generally involve cross-border trade cooperation in multiple countries and currencies. Exchange rate fluctuations will directly lead to corporate profits or losses, because “going out” corporate operations often have foreign currency inflows. Some of the assets and liabilities of enterprises are also expressed in foreign currencies. When the currency and financial markets of countries along the route are unstable, the exchange rate of domestic currencies and foreign currencies fluctuate greatly, which will bring greater losses or gains to “going global” companies.

## **2.3 Tax risk**

Except for a few countries along the “Belt and Road” that have adopted preferential policies for “tax havens” with low tax rates or even no income tax, all countries have adopted a tax system for collecting income taxes. If the enterprise lacks an understanding of the investment tax environment such as cross-border taxation regulations, tax treaty provisions, and declaration of credits, and fails to formulate tax management strategies that are consistent with overseas investment strategies, it will not be possible to effectively prevent tax risks in investment and trade.

## **2.4 Financing risk**

Most companies in the “Belt and Road” construction generally face financing gaps. In the process of financing such as issuing stocks, due to improper number of shares issued, poor timing of issuance, unreasonable issuance price or uneven distribution of dividends, it is easy to cause the failure of stock issuance and bring huge financing costs to the enterprise. In addition, when financial institutions and funds from countries along the “Belt and Road” initially enter the relevant market, they face risks such as insufficient financial and legal systems, instability in the currency value of the country where they are located, and imperfect credit rating systems, leading to “going out” companies finance difficulty be increased.

## **2.5 Traditional financial management mechanisms cannot meet the needs of the new economic environment**

On the one hand, the traditional financial management level of some “going out” companies can no longer conform to the trend of the “Belt and Road” construction. Its financial management information system is still limited to the traditional accounting level, and lacks judgment, analysis and financial analysis of financial strategies<sup>[2]</sup>. For risk control, on the other hand, financial personnel lack the understanding of the development trend of accounting internationalization, and their professional quality and financial management level can no longer meet the financial management requirements of “going global” enterprises.

# **3. The countermeasures of corporate financial management in the construction of “One Belt One Road”**

## **3.1 Compliance with international convergence of accounting standards**

“Going out” companies must understand and master the international accounting standards in a timely manner, and take the international convergence of accounting standards as the starting point, strictly regulate the accounting procedures of enterprises, and eliminate information exchange barriers generated by different accounting practices. At the same time, the transparency and comparability of corporate financial information should be improved, so that foreign

investors can have a deeper understanding of the financial status of the company, strengthen investors' confidence in the company, and attract more investors.

### **3.2 Strengthen foreign exchange risk control**

Firstly, "going out" companies should pay attention to the choice of contract currency. The most effective way to avoid foreign exchange risks is to choose a standard currency. If you cannot choose a standard currency, try to choose a foreign currency with less exchange rate fluctuations. The second is to choose an appropriate transaction price. When "going out" companies calculate the cost of import and export products, they must make a reasonable budget and include the possible cost changes caused by future exchange rate fluctuations in the total cost, so as to avoid possible losses caused by exchange rate fluctuations. The third is to use a variety of derivative financial instruments to avoid foreign exchange risks, such as hedging of forward contracts, hedging of foreign exchange futures, and hedging of foreign exchange options. The fourth is to strengthen the construction of the foreign exchange futures market to reduce the uncertainty and impact of exchange rate fluctuations on "going global" companies.

### **3.3 Reasonably avoid tax risks**

Firstly, "going out" enterprises must fully understand the tax system of overseas enterprises (including tax types, tax rates, preferential tax policies, etc.) before conducting trade cooperation, and use relevant tax tools to prevent and control tax risks. For example, companies can take the initiative to apply for an advance pricing arrangement agreement, or they can use the income remitted from China to give a low tax rate of 10% preferential policies and use tax exemption agreements to avoid double taxation and reduce tax costs. The second is to make full use of the bilateral tax treaty mechanism, strengthen the tax management of cross-border investments, and properly resolve cross-border tax disputes. For example, through the international tax service network and full-time tax management personnel stationed abroad understand the tax environment of investment in countries along the "Belt and Road", apply for tax credits in time, and fully enjoy tax treaty benefits.

### **3.4 Increase financing**

"Going Global" companies should build diversified financing platforms and innovate financing models, and develop joint financing with multiple institutions. For example, it can conduct joint financing with multilateral development financial institutions, the Silk Road Fund, the Asian Infrastructure Investment Bank (Asian Infrastructure Investment Bank), and the BRICS New Development Bank to increase leverage and reduce risks. The two main co-financing channels, "parallel loans" and "co-loans", can also be used to expand projects so that more co-financing can be used in infrastructure construction projects to raise more funds for the construction of the "Belt and Road".

### **3.5 Update financial management methods and cultivate compound financial management talents**

In the context of the "Belt and Road" construction, more and more enterprise groups have implemented expansion strategies and quickly established subsidiaries around the world. Traditional financial management mechanisms can no longer meet the needs of corporate financial management in the new environment. Based on this, "going out" companies should follow the trend, update financial management methods, introduce financial sharing and other service models, and analyze big data through the cloud accounting platform under the new business model to solve new problems in financial management. At the same time, to accelerate the training of compound financial management talents with international perspectives, international financial management talents are required to understand the country's current international environment, major countries' accounting standards and future development trends.

## **4. Conclusion**

To sum up, in order to continuously win benefits in the fierce competition in international trade, Chinese companies need to learn and practice, follow the trend of international trade development, learn from the advanced manage-

ment concepts and methods of internationally renowned companies, and continuously improve the overall management efficiency of the company. In terms of financial management, he is good at analyzing the political, economic, and cultural situation of the trading countries, strengthening the centralized management and control of funds and foreign exchange risk management, firmly establishing the concept of overseas compliance management, and fostering financial affairs through tax planning based on the tax laws and regulations of the trading countries, managing international talents to improve the level of financial management risk control and the level of financial control of the enterprise, thereby promoting the great historical opportunity of the enterprise in the “Belt and Road” initiative and achieving good results in overseas investment and operation.

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