

Original Research Article

Analysis of the Current Situation of Asset Securitization of State-Owned Enterprises in China

Mingming Yang*

Tongling University, Tongling City 244061, Anhui Province, China. E-mail: 1454225867@qq.com

Abstract: With the rapid development and progress of China's economy, state-owned enterprises have also carried out reforms. As an important part of the reform, securitization has promoted the reform of state-owned enterprises. Securitization will issue private securities backed by financial or other assets with poor liquidity, and pay principal and interest based on predictable and continuous cash flow income. The issuer purchases assets, forms an asset pool and issues asset-backed securities. This paper focuses on the achievements of the reform of state-owned enterprises in China, indicates the problems and puts forward improvement suggestions in the process of securitization reform.

Keywords: State-Owned Enterprises; Asset Securitization

1. The significance of asset securitization of state-owned enterprises

The asset securitization of state-owned enterprises is a concrete manifestation of China's economic system reform, market development and financial deepening in economic development. It is also a reform process of the Chinese economic system from a traditional planned economy to a market economy. Rebuilding the foundation of the economic system is a successful attempt to cope with the combination of public ownership and market economy in enterprise reform.

1.1 Conducive to promoting the perfect development of the capital market

Active implementation of securitization in Chinese state-owned enterprises can transfer huge savings funds of banks. China's national conditions have led to the relatively high savings rate at this stage, which has caused a large amount of funds to be deposited in banks or other financial institutions. This situation naturally leads to inefficient use of funds. Securitization can effectively channel funds, thereby enhancing China's current capital market. In addition, the securitization of corporate assets has diversified the products and services of the capital market and provided investors with more choices, which has promoted the development and improvement of the multi-level capital market. In addition, securitization can enhance the flow of funds between the money market and the capital market.

1.2 Conducive to the operation of state-owned enterprises

The securitization of state-owned enterprises can achieve transfer between creditor's rights and debts, offsetting and paying off triangular debts. The improved balance sheet structure of off-balance sheet financing can activate existing assets and realize cash income, thereby achieving more liquidity. Through securitization, it is possible to realize and sell assets with predictable cash flow in state-owned enterprises, thereby realizing asset stocks and improving the

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debt structure of state-owned enterprises^[2]. State-owned enterprises have been improved to a certain extent, so that the liquidity of enterprise assets can be improved. This can not only reduce financing costs, but also accelerate the flow of various assets of the enterprise through various combinations such as divestitures and reorganizations, shortening the capital turnover time, increasing financing channels, increasing efficiency and capital utilization^[5].

1.3 Improve the operating conditions of commercial banks

By converting securitized assets into tradable securities, banks can effectively reduce the amount of risky assets and activate some non-performing loans without changing their liabilities, thereby improving the business performance of commercial banks.

2. Achievements of asset securitization of state-owned enterprises

At present, China's state-owned enterprises have issued more and more securitization. Here are some of reform results of securitization of the state-owned enterprises.

2.1 The total scale of state-owned assets continues to grow

With the help of the listing method, the market value of state-owned assets can be found, which helps to accurately assess the value of state-owned assets from a financial perspective. At the same time, state-owned assets play a leading role in other assets, expanding the role of state-owned assets.

2.2 Organizational change of enterprise structure

At present, state-owned listed companies have transformed from industry, commerce and integration to advanced manufacturing, modern services, ports, power and other basic and pillar industries^[6].

2.3 The competitiveness of enterprises has been strengthened

State-owned listed companies have stepped up reform and restructuring. Through public offerings and share placements, financing capabilities have been further enhanced.

3. Problems in the asset securitization of state-owned enterprises

Although securitization of state-owned assets has made great progress in recent years, there are still many problems that affect and hinder the healthy and sustainable development of state-owned enterprises^[7], which are mainly manifested in the following aspects.

3.1 Accounting issues

Due to the transition from planned economy to market economy and the fact that the current socialist market economy is not perfect, China's accounting system has not been perfect in recent years. Economically, the traditional accounting system cannot be fully adapted, which affects the legality of corporate securitization and hinders corporate asset securitization.

3.2 Tax issues

Since credit securitization is usually large and involves many transactions, reducing taxes and fees is a key factor for the success of securitization. Therefore, it is necessary to formulate and improve taxation policies for securitization based on the relevant characteristics of securitization itself and the current status of China's taxation system^[8], ensuring that the principle of neutral taxation is followed, with reasonably bearing tax burdens, thus promoting the development of the securities industry .

3.3 Limited by insufficient effective demand

Securitization is a form of financing that uses securitization to ensure a stable source of funds or to ensure a stable

demand for asset securities^[9]. However, China's policies are too restrictive. Judging from the current situation of asset securities investment, investors are mainly individuals or institutions with a small number and insufficient demand.

3.4 A shortage of talents

In China's financial system, the operation of separate industries and separate supervision have restricted the development of state-owned enterprises. There are serious problems in securitization intermediary services and the credit ratings and legal regulations are not conducive to the supervision and development of securitization. In addition, the shortage of talents is also an important factor restricting the securitization of China's state-owned enterprises. In general, securitization has a higher degree of specialization and a wider scope of application. In China, there's a lack of professionals in this field, which restricts the securitization of state-owned enterprises to a certain extent.

4. Improvement measures for asset securitization of state-owned enterprises

4.1 Improve laws and regulations and strengthen supervision

The securitization of state-owned enterprises involves accounting, legal, guarantee, evaluation and other aspects. The business content is more complicated and more stakeholders are involved. It is important to create a good legal environment for the securitization of state-owned enterprises. It is suggested that based on the current market economic environment, there are practical problems such as "tightened financing environment, reduced investor risk appetite, and diffused credit bond market risk". As the ABS payment period come early, it is necessary to further improve the company law, securities law and securities investment fund law to regulate the asset securitization process of state-owned enterprises at the legal level^[1]. At the same time, with the continuous development of state-owned asset securitization, a series of practical problems will inevitably arise. For example, the product structure is becoming more and more complex, and the development risks are accumulating continuously. Working together with regulatory authorities, securities regulatory authorities, and banking regulatory authorities, a state-owned enterprise securitization committee should be established to achieve true information sharing and operational synergy so as to ensure effective control of all aspects of state-owned enterprise securitization.

4.2 Strengthen transaction management and promote asset flow

The operation experience of the securities market proves that the smooth issuance of the primary market is directly related to the pricing and operating efficiency of the secondary market, and the operating efficiency of the secondary market directly determines the circulation and feedback methods of the securities. In the market, there is an urgent need to solve the problem of dividing insurance assets and credit assets. It is recommended that on the basis of reasonable risk control, a perfect cross-product issuance mechanism should be established to promote the realization of complementary advantages in each market, thereby effectively expanding the development space. At the same time, long-term stable investment institutions such as pensions and insurance should be encouraged to participate in the securitization market, improve the current market structure, actively improve the repurchase system, market and commercial regulations, and enhance market liquidity^[10].

4.3 Pay attention to basic management and optimize the issuance of securities

Other measures include further strengthening the construction of SPV, credit evaluation and selection of basic assets, setting a reasonable tax policy to reduce the cost of Securitization, thus enhancing the interest and enthusiasm of investors. In terms of accounting system, it is necessary to establish a system that is suitable for the securitization of enterprises, and to formulate corresponding accounting standards and other legal norms according to the characteristics of the securitization, so as to improve the adaptability of the accounting system^[4].

5. Conclusion

To improve the financial market system, China must vigorously promote the reform of securitization, which is the only way for the reform of state-owned enterprises. Only by gradually accelerating the pace of securitization reform can state-owned enterprises adapt to the constantly changing market economic system and the inevitable laws of economic development. At the same time, according to the needs of state-owned enterprises' own development, they should explore a development path suitable for themselves, and gradually realize the reform goal of asset securitization on the basis of sustainable and stable development^[3].

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