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Analysis of Development Trend of Financial Securitization in China under Global Economy

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Abstract

Financial securitization refers to the conversion of bank loans and other assets into negotiable securities that can be sold and circulated in the financial market, also known as asset securitization. Under the background of economic globalization, in recent years, the overall development trend of China's financial securitization is good, and the proportion of securities is also expanding with the economic development in various fields. However, financial securitization also faces more and more difficulties and challenges. This paper first introduces the development process of financial securitization in China, analyzes the development characteristics and problems of financial securitization in China, and finally, combined with the current background of global economic integration, comprehensively analyzes and predicts the development trend of financial securitization in China.

Keywords

Global Economy; Financial Securitization; Development Trend.

1. Introduction

In the current period of rapid development of the global economy, the financialization of the economy has gradually evolved into economic and financial securitization. The development of securitization has enhanced the liquidity of capital to a certain extent, but at the same time, it effectively reduces risks while adapting to the development of the new economic era in China. Influenced by the development of global securitization, the scale of securities in China has gradually developed. Research shows that, along with the development of financial securitization, the transaction scale of the financial market shows exponential growth, which also directly causes the aggravation of financial risks. Therefore, scholars in the industry need to examine the development history of China's financial securitization, summarize the characteristics and problems encountered in the development process, and explore the development path of China's financial securitization under the background of globalization, so as to promote the further development of China's financial securitization business.

2. The Development Course of Financial Securitization in China

With the deepening of economic globalization, the trend of financial securitization has been growing rapidly. In the process of financial securitization, various types of enterprises and individual financial investors have been involved. When the initial demand scale was not large, most enterprises and individual participants engaged in direct investment and financing in the form of cash or cash equivalents. As the scale of investment and financing needs continued to expand, enterprises and individuals began to turn to indirect financing through bank loans. In this context, the threshold for financial securitization was indirectly raised, which hindered the development of China's financial securitization process to a certain extent.

Over time, as China's comprehensive strength continued to improve, and the degree of financial marketization deepened, the investment and financing activities of enterprises and individuals

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began to display more securitization characteristics and increasingly diversified forms, such as various types of stocks and bonds. Enterprises and individuals could not only apply for financing from banks but also from investors by issuing bonds. In this new financial development trend, fundraisers could quickly raise funds, offering more abundant choices to investors. The relationship between fundraisers, investors, and the financial market became closer, and the financial market was activated under the new investment and financing subjects, forming a better financial ecosystem and displaying new vitality. At the same time, the reduction of financing costs brought about by the change of financing mode laid a foundation for the popularization of financial securitization and provided more possibilities for system optimization.

Then, financial securitization continued to develop and entered the later stage of development. At this time, financing was mainly conducted by issuing securities. The issuing subject was the entity with financing needs. The capital provider supplied the required funds for the fundraisers by buying securities. In this process, the circulation speed of financial assets (funds) was greatly improved, and the market-oriented pattern of financial assets took shape.

With the rapid changes in the social economy, the trend of financial securitization has become an irreversible tide of the times. Through the operation of financial securitization, the financing and investment needs of different financial entities in society can be met. In the development process, the state formulated financial policies, laws, and regulations, strengthened financial supervision, and with the market operation of financial departments, effectively promoted the standard and healthy development of financial securitization in China. Finally, under the coordination and promotion of all parties, financial securitization improved the efficiency of market operation, promoted the overall marketization process of the financial industry, and formed a standardized and orderly financial market environment.

At the same time, the country's financial policy gradually loosened financial controls, private capital was brought into the financial market, enterprise financing activities became more common, capital flowed at higher speed and larger scale, enterprise financing, and financial institution services expanded effectively, and securities trading gradually took an important position in the financial market. These are concrete evidence of the further development of financial securitization.

In addition, with the rapid development of the global economy, more and more enterprises complete financing through securities, achieving the optimal allocation of resources, and greatly improving the competitiveness and market value of enterprises. There are many joint-stock enterprises, and even more subdivided joint-stock enterprise types, resulting in more and more types of securities in the market. At present, to realize the development strategy, many enterprises often issue bonds, stocks, or transfer shares for financing. From the existing capital operation methods of enterprises, it can be seen that the trend of financial securitization in China has increasingly become the mainstream of the market. With the development of the Internet in recent years, the increasing use of financial technology has also provided technical support for financial securitization, ensured higher efficiency and more sufficient guarantees for all parties involved in the financial market, and effectively promoted the steady and healthy development of the financial market.

3. Analysis of the Development Characteristics of Financial Securitization in China

(1) The Scale of Securitization Has Expanded Rapidly

Financial securitization, in addition to traditional financing methods, provides richer and more flexible choices for investment and financing entities. While improving asset liquidity, it meets the needs of investment entities with different investment returns and risk preferences, and

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provides diversified product choices to realize the optimal allocation of resources. At the same time, by choosing the securitization financing method, the financing entity reduces dependence on traditional financing channels, the difficulty of completing the financing plan is greatly reduced, the financing structure and cost can be optimized, and finally, the financial return of the enterprise can be improved and the market competitiveness of the enterprise is enhanced. The positive role played by financial securitization in both investment and financing effectively promotes the rapid growth of financial securitization, especially the scale of financing securitization.

(2) The Internationalization of Finance is Gradually Deepening

The development of financial securitization benefits from the background of economic globalization. With the increasingly close connection between global capital markets, the differences in rules and institutions in the financial markets of different countries are gradually integrating. In response to the specific demand of the international market for securitization products, to attract more participation from investment institutions and individual investors, a number of emerging global financial products have been launched. These emerging financial products are based on integrated financial rules and have brought new vitality to the global financial market and the securitization market. Therefore, along with the global development of the financial industry, the development of financial securitization also has distinct characteristics of international integration.

(3) The Financial Industry Begins to Integrate Trends in Information Technology to a Greater Extent

The development of financial securitization integrates the development trend of informatization. The global trend of informatization, with the Internet as the carrier, electronic office systems, and Internet + finance, has brought a series of changes including technology, market, system, and trend to financial securitization, accelerating the development of global financial market securitization. With the progress of information technology and the popularization of Internet equipment, the financial market has gained much more access to information. Entities no longer rely on the traditional low-efficiency physical market information, or only obtain information through newspapers and magazines, or other written forms. The rapid spread of Internet information has resolved the previous shackles of the financial securitization market. Financial securitization, riding the wave of informatization and Internet development, has seen rapid development.

In the context of Internet +, the development of information technology provides technical support for investment and financing participants in the financial market to actively and timely obtain information. It ensures the information needs of financial entities, significantly improving the speed and accuracy of information acquisition, solving the problems of opaque and asymmetric information of the past. With the development of information technology, the speed of information sharing in the financial market has rapidly increased, allowing the information and data of securities products to be transmitted to more market participants simultaneously. For example, after financial intermediaries release information on specific bonds in a timely manner, potential investors can quickly and accurately evaluate the investment risks and returns, make scientific and rational judgments, and completely solve the major problem of information asymmetry. At the same time, the integration of informatization improves the capital flow speed in the financial securitization market, reduces transaction costs, promotes the sustainable development of financial securitization and the benign operation of the market, ultimately benefiting the majority of market participants. It can be said that information technology has become an important booster for the development of the financial industry and financial securitization.

ISSN: 2688-9323

4. Analysis of Problems Encountered in the Field of Financial Securitization in China

Financial securitization is the product of social and economic development, adapting to the current economic landscape. Financial securitization includes two aspects: social financing and bank loan securities. Financial securitization is widely used in society and has strong liquidity. Because of this characteristic, financial securitization is also restricted by many aspects and faces several problems.

(1) The laws and regulations related to financial securitization are not comprehensive, especially those related to credit rating, which still lack specific and detailed legal provisions. The development of financial securitization urgently needs perfect legal support. Western countries standardized relevant policies in the early years, while China's development of financial securitization began later, resulting in relatively imperfect solutions to these problems.

(2) With the continuous development of the market economy, the domestic market demand also shows a trend of diversification, yet China's financial securitization products remain relatively monotonous. The innovation of financial derivatives is not strong enough, making it difficult to meet the complex, diversified market demand, nor can it satisfy investors' needs for term matching, investment diversification, and high yields.

(3) The progress of asset securitization is slow, and the actual financial assets are an important factor in realizing the process of financial securitization, but there is a great lack of assets in China at this stage. Most enterprises in the market are operating while bearing huge liabilities and do not need to stabilize the supply through asset mortgage. Even if financial securitization can be used by real estate as collateral, this way cannot meet the needs of the development of financial securitization in China. To some extent, the debt operation of enterprises hinders the development of the market economy, thus hindering the development speed of financial securitization. In addition, in the field of asset securitization, there may be problems such as poor quality of securities collateral and information asymmetry and opacity, as well as the lack of effective supervision of non-performing assets, which partly affects the quality of securitization products in the financial market and limits the development of financial securitization.

5. Analysis of development trends of financial securitization in China under the global economy

(1) Relax financial controls

In the global economic environment, in order to ensure the sustainability and effectiveness of financial securitization, China can learn from international advanced and mature experience and gradually relax financial regulation, so that financial securitization can adapt to the diversified needs of current economic development and realize the transformation from economic financialization to financial securitization. Due to the current financial market of securitization products and monotonous types in China, the method of relaxing financial regulation will encourage the market to innovate more financial instruments, and provide more investment options to enterprises or commercial investment institutions with financial strength and actively looking for investment opportunities. For example, under the traditional business model, the business scope of the banking industry is relatively limited, and it is easy to encounter the bottleneck of business development. At the same time, the lagging development of the banking industry is not conducive to the development of financial securitization. Banks and financial institutions should actively participate in financial innovation and give full play to the dominant position of capital, which is conducive to the reasonable allocation of financial resources in the financial market and the rich business

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structure. At the same time, the standardization and prudence of the traditional banking industry are conducive to reducing the overall financial risk. Of course, the relaxation of financial regulation does not mean the relaxation of the standardized management of the financial market, but puts forward higher requirements for financial regulation.

(2) Strengthen the supervision of the financial and securities market, and improve the financial mechanism

It is necessary to strengthen the supervision of the financial securities market, timely find out the possible risks and hidden dangers in the current process of financial securitization, prevent the problems through scientific and effective management and monitoring system, and promote the benign development of the financial securitization market. In addition, when issuing securities, enterprises will face many related risks, which requires the government financial regulation and policy departments to gradually improve the financial mechanism, grasp the macroeconomic regulation and control of the market, ensure the integrity of the market supervision system, establish good relationships between financial institutions and investors, constantly update the financial mechanism, promote the popularity of financial securitization, and provide detailed and effective specification and regulation of the securities market. The securitization process usually involves multiple links, effective regulation can improve the transparency of securitization products, ensure the compliance of securities issuance processes, reduce the risk caused by information asymmetry and insufficient regulation, and enhance investor confidence in securitization products. Only in this way can more investors be attracted to invest.

(3) Enrich the forms of securities trading

In order to further promote the development of financial securitization, it is necessary to introduce diversified securities types and diversified financial transaction methods, continuously expand the subdivision of financial securitization, improve the relevance and effectiveness of various types of financial securitization products, so that investors can obtain perfect financial services. In addition, advanced electronic technology and financial derivatives can also be used to enhance the basic work efficiency of securities companies, trust companies, insurance companies, and investment funds, and reduce costs. In addition, with the development of financial securitization, as a subcategory of securitization, financial bills are also developing rapidly. All kinds of financial entities can not only issue securities, but also issue bills. Relevant departments should encourage financial subjects to actively diversify financial securitization forms, actively develop bill business, expand market financing channels, and improve the speed of capital flow. At the same time, encouraging the research and innovation of diversified financial securities products can enable the financial market to achieve multi-level development, provide sufficient securitization products and continuous momentum for the financial market, and further promote the rapid development of the financial market.

(4) Increase policy support

Financial securitization is not suitable for all financial market transactions, and securitization must be carried out based on the real economy. Therefore, the development of financial securitization should not blindly pursue speed, but should be based on the actual development of specific industries or specific economic regions, take the real economy as the foundation, promote development and give policy support on the premise of real demand and foundation.

Policies and regulations have a far-reaching impact on the securities market. Overseas financial securitization has experienced quite a long development process and accumulated rich experience and lessons. China should draw lessons from the successful experience of the development of financial securitization in the major financial countries in the world, formulate policies in line with the national conditions, and support the development of financial securitization. By promoting the construction of financial securities management system,

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strengthening and improving market supervision, the emerging financial products and tools can effectively improve the financial service level and capital utilization efficiency of China's financial market.

6. Summary

This paper, by analyzing the characteristics of the development of financial securitization in China, points out the current limitations of financial securitization, and proposes four solutions to further promote its development: relax financial regulation, strengthen the market supervision of financial securities, improve the financial mechanism, enrich securities trading form, and strengthen policy support. The development of financial securitization is the general trend, and the short-term problems will not affect its future development trend. However, in order to maintain the standardization of the market and to better coordinate the interests of different financial market entities, the financial industry needs to understand the characteristics and stages of the current development of financial securitization, and actively explore the innovative paths for its development. This will provide effective support for the rapid and healthy development of financial securitization in China.

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