Research on the Risk of State-owned Enterprise Mixed Ownership Reform

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Abstract
At present, the reform pilots are being promoted in batches, fully rolled out, decentralization policies are in place, and the popularity continues to rise. The overall positive trend of "delegation", "expansion" and "implementation" is shown. Starting from the reform of state-owned enterprises, mixed ownership reforms have been carried out. At present, the state-owned enterprise mixed improvement has entered a substantial landing period. This article mainly focuses on the mixed ownership reform of state-owned enterprises, combined with its path, analyzes the current scholars' research on the mixed ownership reform of state-owned enterprises, and points out the impact of the mixed ownership reform of my country's state-owned enterprises on corporate risks and puts forward some rationalization opinions. Can promote the process of mixed ownership reform of state-owned enterprises.

Keywords
Mixed Ownership Reform; State-owned Enterprises; Risk.

1. Introduction
Since the 18th National Congress of the Communist Party of China, the reform of mixed ownership of state-owned enterprises has also been accelerated, and some important breakthroughs or progress have been made. According to statistics, by the end of 2018, the proportion of households with mixed ownership reform accounted for more than 70%, an increase of 20% compared with 2012. The Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China put forward a clear development direction for the reform of state-owned enterprises, and put forward a series of new ideas and measures. Actively develop a mixed-ownership economy.

2. Concept and characteristics of mixed ownership reform of state-owned enterprises

2.1. Concept
The mixed-ownership reform of state-owned enterprises refers to the cross-holding of shares by investors of different natures through non-public capital participation in state-owned enterprises, initial public listings, and employee shareholding to increase the diversity of equity [1].

2.2. Path
First, internal optimization and reorganization, improvement of organizational structure, external cooperative partnerships, joint mergers, and realization of shareholding system reforms, through cross-shareholding and mutual participation, to build a hybrid enterprise.
The second is a well-founded joint-stock company that uses domestic and foreign multi-level capital markets to choose A-shares, H-shares and other domestic and foreign categories, and choose different channels such as the main board, the growth enterprise board, and the small and medium-sized enterprise board to achieve IPO.

The third is to optimize the equity structure and promote the integration of various types of capital through the transfer of equity, increase and decrease of holdings, capital increase and share expansion, issuance of convertible bonds, and private equity.

Fourth, continue to adhere to and improve the successful restructuring and restructuring of state-owned enterprises, deepen the restructuring of the remaining parts, and cultivate high-quality assets to market. If possible, the parent company can be restructured into a holding company or investment company, and large companies can integrate their subsidiaries to strive for overall listing. Enlarge the capital function.

The fifth is to attract foreign capital to become shareholders of overseas companies through joint ventures, cooperation, mergers and acquisitions, and equity participation.

3. Literature References

In the existing literature, scholars have extensively studied the mixed ownership reform of state-owned enterprises. Scholars have two theories for the reform of mixed ownership of state-owned enterprises, namely, the theory of property rights represented by Jinglian Wu and Weiyi Zhang, and the theory of policy burden represented by Yifu Lin. Based on the theory of property rights, Shaobo Liu believes that the ambiguity, incompleteness, super-economy, and multi-level principal-agent relationship of state-owned property rights determine that state-owned enterprises with single state-owned property rights face insurmountable institutional obstacles [2]. Ning He believes that from foreign experience, it can be seen that an effective property right system is an important prerequisite for the formation of a benign operating mechanism for corporate governance. Under the background of mixed ownership reform, only through the establishment of an effective property right system to reconstruct the state-owned assets authorized operation model can the administrative governance be transformed into an economic governance; only the government, equity funds, creditors and other external governance entities follow the concept of economic governance Participating in corporate governance with rules can truly encourage business operators to continuously improve their long-term performance based on the concept of value management [3]. Based on the policy burden theory, Lin Chen et al. found through empirical research that mixed ownership reform can reduce the policy burden of state-owned enterprises, and the efficiency of mixed ownership reform in monopolistic industries is higher than that in competitive industries [4]. In China’s state-owned manufacturing enterprises, Wenzhi Jing is the first to start from the level of policy burden separation and the integration of property rights reforms. Through empirical research, it is concluded that in the implementation of mixed ownership reforms, social policy burdens have significantly hindered the entry of non-state capital. While the strategic policy burden has a driving effect to a certain extent, the combined force of the two is still a significant restraining effect [5].

Most researches on the economic consequences of mixed ownership reform of state-owned enterprises are from the aspects of corporate governance and corporate performance. Ownership structure plays a very important role in corporate governance issues. Hao Shen’s research shows that whether state-owned shares occupy absolute or relative controlling positions is not the standard and key to determine whether state-owned shares are in absolute control or relative control in corporate governance; in legalization In a mature and market-oriented environment, mixed ownership can help improve corporate governance and achieve
a better balance of governance [6]. Through empirical research, Hui Zhang et al. concluded that mixed ownership reform will indeed have a positive impact on the performance of state-owned enterprises. After the reform, the social and strategic burdens of state-owned enterprises will decrease and their performance will increase [7]. However, Hanmin Liu and others believe that increasing the proportion of non-state-owned shares too much will not improve corporate performance, and that major shareholders may also form a collusion [8]. In the mixed ownership reform of state-owned enterprises, Jie Guo believes that the implementation of employee stock ownership can not only further optimize the equity structure of state-owned enterprises, but also form equity incentives to further enhance the sense of belonging and responsibility of the internal management and employees of state-owned enterprises. It improves corporate performance.

At the same time, scholars have also studied a large number of state-owned enterprises’ mixed ownership reform and enterprise innovation. Donglin Song and Shang Li’s research based on the double difference method after propensity score matching found that mixed ownership reform will significantly promote the innovation of state-owned enterprises, which is mainly reflected in the reform to non-state-owned holdings, and it is not obvious when the control of the enterprise has not changed [9]. Regarding the research on the influence path, Lei Zhu and others found that in enterprises with local ownership, strong government decentralization awareness and competitive industries, the mixed reform has a stronger role in promoting the innovation ability of enterprises by restraining the embezzlement of shareholder funds [10].

4. The source of funds is no longer single

4.1. The impact of mixed reform of state-owned enterprises on corporate risks

As we all know, state-owned enterprises mainly raise debts through bank loans, and fiscal appropriations are their main source of funds. Such a single source of funds carries great risks. There is no effective supervision mechanism between the two parties for loans to banks, and the state-owned enterprise relies on this single financing method. Once one party has a problem, it is very easy to cause the state-owned enterprise to bear more serious capital risks, and the less powerful state-owned enterprise is more likely to suffer from debt pressure. There is a rupture of the capital chain [11].

The mixed ownership reform of state-owned enterprises has ended the way that most state-owned enterprises originally relied on fiscal appropriations have come to an end.

4.2. Reduce corporate debt risk

Excessive debt is an important factor that affects the high-quality development of state-owned enterprises, and agency problems caused by the absence of owners and the "dominant share of state-owned shares" are important causes of excessive debts of state-owned enterprises [12]. The mixed ownership reform can improve the corporate governance mechanism by introducing non-state-owned shareholders, strengthen the self-management and self-responsibility of state-owned enterprises, and strengthen the rationality of debt, thereby curbing excessive debt and maintaining a reasonable level of debt.

4.3. Insufficient internal control of risk management

In the process of development, most state-owned enterprises pay too much attention to the benefits and economic benefits they can currently obtain, and blindly develop various projects that can bring considerable economic benefits. However, it is difficult to assess the huge risks behind them. And expected. The internal system of risk management is not paid attention to and not started to be improved. The current communication mechanism and information exchange mechanism of various departments of state-owned enterprises are not yet perfect. As a result, information cannot be effectively circulated after risks appear [13]. In this way,
companies cannot fully understand the risks. In addition, the risk prevention and control mechanism has not been built and perfected, and there is still a gap in the system and mechanism construction for risk prevention.

4.4. The proportional distribution of state-owned capital and non-state-owned capital is not coordinated

At present, state-owned capital and non-state-owned capital have different interest demands. In state-owned enterprises that have completed mixed ownership reforms, there are often conflicts due to investment ratios and decision-making, business management concepts, profit distribution, and different corporate cultures, which may affect the normal operation of the enterprise.

5. Suggestion

5.1. Prepare for mixed reform within the enterprise

Before introducing non-state-owned capital, state-owned enterprises should do a good job in internal analysis of the motivations of capital mixing and comprehensive due diligence, analyze the company’s own operating status, development needs, resource constraints, etc. in detail, and consider the necessity and necessity of introducing non-state-owned capital. Feasibility is actively demonstrated to prevent blindly introducing risks.

5.2. Reasonably arrange the proportion of non-state capital

Reasonably allocate the proportion of non-state capital, fully mobilize its enthusiasm, and establish a reasonable equity structure. At the same time, from the legal level, it is ensured that non-state capital and state-owned capital enjoy the same shares and the same rights, that is, to achieve fairness and justice in the distribution of control rights of state-owned enterprises, so as to improve the decision-making efficiency of state-owned enterprises.

6. Summary

With the deepening of the new round of mixed reform of state-owned enterprises, the uncertainties faced by state-owned capital in the operation and management of state-owned capital are increasing. How to manage and control risks has also become a hot spot of common concern for the government, enterprises, and investors. To sum up, in the process of mixed ownership reform of state-owned enterprises, enterprise risks should also be paid special attention. In view of this, the heads of state-owned enterprises need to fully understand the importance of mixed ownership reform and promote its development.

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References


