Research on the Influence of Earnings Management of Mixed Ownership Enterprises on Credit Financing

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Abstract. This paper analyzes and sorts out the research literature on the impact of earnings management on credit financing of mixed ownership enterprises, and sorts out the research paths of mixed ownership reform at macro and micro levels. At the micro level, with the completion of the mixed ownership reform of enterprises, the property right nature of enterprises also changes, which will lead to the change of preferences affecting bank credit decisions.

Introduction

The financing channels of Chinese enterprises are generally divided into equity financing and debt financing. Compared with equity financing, debt financing has the advantages of simple procedures, tax deductible and non-decentralized control. In terms of the amount of financing, according to recent data from the national bureau of statistics, credit financing has accounted for 80% of the financing amount of enterprises. Therefore, for enterprises, credit financing has become the main source of financing to ensure the normal operation of enterprises.

The third plenary session of the 18th through "the central committee of the communist party of China about certain major issue decision" comprehensively deepen reform, reform of the mixed ownership economy has made the detailed description of the "state capital, collective capital, private capital cross-shareholding of mixed ownership economy and mutual fusion, is an important realization form of the basic economic system", and "country to allow more state-owned economy and other sector of the economy develop the mixed ownership economy. Non-state capital is allowed to participate in state-owned capital investment projects. We will allow mixed ownership of enterprises with employee stock ownership to form a community of interests between capital owners and workers. With the continuous development of market economy and the gradual deepening of state-owned enterprise reform, more and more private capital and foreign capital participate in the reform of state-owned enterprises. The combination of state-owned capital and other non-state-owned capital (including private capital and foreign capital) is essentially the mutual integration of state-owned economy and non-state-owned economy, thus forming a diversified property right system with mixed all systems and replacing the single public property right system of state-owned capital.

Literature Review

Research on Earnings Management on Corporate Credit Financing

When enterprises have financing needs, if their financial indicators fail to meet the requirements of debt covenants, they will be motivated to conduct earnings management in order to raise funds smoothly. Ye Zhifeng et al. Valipour and Moradbeigi (2011) found that in order to enhance the bargaining power in debt negotiation, enterprises with financing needs would transmit profit
information to Banks, and the higher the financing needs, the higher the level of earnings management. Liu Qin (2012) found that the bank debt contract promotes the earnings management behavior of debtors. When the debtor borrows money for a long time, the level of earnings management is relatively high, while when the debtor borrows money for a short time, the level of earnings management is relatively low. Rodriguez-perez G. et al. (2010), Yang Jiwei et al. (2012), Diana R. et al. (2014) believe that Banks and other creditors will decide the loan terms according to the financial situation of debtors, and companies will conduct earnings management driven by debt financing.

Research on the Relationship between Property Right Nature and Enterprise Credit Financing

Compared with private enterprises, state-owned enterprises have many natural advantages in credit loans and bond issuance due to soft budget constraints. Banks give preferential treatment to state-owned enterprises in many aspects, such as longer repayment time, loose credit decisions, larger amount of loan capital and lower guarantee. Brandt and Li (2013) studied the differences between township enterprises and private enterprises in financing constraints. The results showed that when enterprises have effective incentive and supervision mechanism, complete internal control and individual responsibilities, private enterprises will face less loan difficulties. In further verification, they found that, under the capital market of China, private enterprises are faced with unfair credit treatment, and credit discrimination is more serious than that of state-owned enterprises. Fan, Wong and Zhang (2007) found unfair treatment of private enterprises in terms of credit financing after examining the economic background of China, and they faced strict examination procedures, higher level of guarantee, shorter loan term, less loan amount and various strict restrictive terms. The same is true in the financial sector, where private-sector financing is also more scrutinized. Financing difficulty is a difficult situation that private enterprises cannot get out of for a long time.

Confederates male (2007) found that as the fourteenth forward transformation of the mode of state-owned enterprises and reduce government intervention, and hardening of the soft budget constraint, weakened the government rent-seeking behavior, the emergence of the phenomenon of the reduction in asymmetric information situation, and so on, the Banks pay more and more attention to consider when credit decisions enterprise performance appraisal, to the nature of the state-owned enterprises in the credit financing review also will be more and more strict. This is closely related to the economic system reform of Chinese government, the progress of capital market and the improvement of marketization level. According to statistics of Fan Gang and Wang Xiaolu (2011), the proportion of loans to private enterprises in financial institutions increased from 72.57% in 2007 to 86.30% in 2009. He Xiaoyang found there is a widespread to satisfy our country enterprise debt protection clause of the contract of earnings management behavior, but for state-owned enterprise about the management of motivation is not significant, the reason is that state-owned enterprises exist in political loans and the existence of soft budget constraints, so the degree of dependence on commercial loans is small, but still exists non-state-owned enterprises to obtain long-term borrowing a lot of surplus management.

Research on Credit Financing of Mixed Ownership Enterprises

Through literature review, it is not difficult to find that most existing researches on mixed ownership enterprises focus on the relationship between corporate governance and corporate performance at the micro level. Backx et al. (2002) empirically tested 50 airlines in the world and found that the performance of state-owned airlines was lower than that of private airlines, while the performance of mixed ownership airlines was higher than that of state-owned airlines, but lower than that of private airlines. Liu Xiaolu et al. (2015) studied the efficiency of mixed ownership reform of state-owned enterprises and the mechanism behind it. It is found that the efficiency of state-owned holding enterprises is higher than that of wholly state-owned enterprises and private enterprises, and the ratio of state-owned assets and efficiency shows an inverted u-shaped relationship. The positive impact of the proportion of state-owned assets on efficiency mainly
comes from the market power and low financing constraints associated with the state-owned economy. Bao Gang (2016) tested the relationship between mixed ownership, financing constraints and corporate performance, and the results showed that financing constraints play an intermediary role between mixed ownership and corporate performance, indicating that mixed ownership can significantly improve corporate performance, and the relaxation of financing constraints is one of the important ways. Huang li (2016) found that listed companies in China are generally faced with relatively large financing constraints. Its size has a u-shaped relationship with the proportion of state-owned shares, that is, with the decrease of the proportion of state-owned shares, the financing constraints show a trend of first decreasing and then rising. Moreover, financing constraints are minimal when the proportion of state-owned shares is between 20% and 33.33%.

At present, there are few researches on mixed ownership enterprises and debt financing in China. Only von Essen (2017) found that the level of mixed ownership negatively affects the debt financing ability of enterprises. That is to say, the higher the level of mixed ownership, the lower the debt financing ability of enterprises. In the mixed ownership category, the proportion of foreign shares is significantly negatively correlated with the debt financing ability of enterprises, that is, the higher the proportion of foreign shares, the lower the debt financing ability of enterprises. GUI liangjun (2016) studied the impact of earnings management of mixed-ownership enterprises on credit financing from the perspective of accrual project earnings management and real project earnings management. The results show that mixed ownership listed companies have earnings management behaviors in order to obtain credit financing. Specifically, state-owned mixed ownership enterprises tend to obtain credit financing through accrual earnings management, while private mixed ownership enterprises tend to obtain credit financing through real project earnings management. Wang Ping (2016), the study found that after the implementation of mixed ownership reform, accompanied by the state-owned shareholder stake decline and the rise in private shareholders' shareholding enterprises was increased, the equity capital cost of debt capital cost decreased, while the result of the combination could prompt Chinese enterprises of the weighted average cost of capital in a rising trend.

Summary

To sum up, scholars at home and abroad have deeply explored the impact of earnings management on credit financing. However, under the background trend of mixed ownership reform, the basic situation of Chinese enterprises has undergone great changes, and new research on this issue is still needed.

At present, the research on the micro level of mixed ownership reform focuses on corporate governance. Existing studies show that mixed ownership reform can improve corporate governance structure and improve enterprise efficiency and performance (Xiangrong Li, 2018; He Yang et al., 2017). Some scholars also found that the efficiency of mixed ownership enterprises in China is higher than that of both domestic and private enterprises, and the rationing of credit resources is the main reason for this phenomenon (Liu Xiaolu et al., 2016). In this case, how does the change of corporate governance structure and property right nature of mixed ownership affect the relationship between earnings management and credit financing? Are the relevant research conclusions generally applicable? In the new situation how to improve the role of accounting information and credit resource allocation efficiency? These questions need us to do further research.

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