Study on the Market Status and Management of Enterprise Financing Relationship—An Empirical Test Based on the Electric Energy Listing Corporation

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ABSTRACT. This paper check the influence of enterprise market status on its financing based on the sample data of 2009-2012 A share listed electric power company. In this paper, through the establishment of explanatory variables and explanatory variables MP and Credit linear control variables SIZE, EBIT, LIQ, CFO regression model, to find the inherent relevance between them. In the study we found, commercial credit and bank loan will be concentrated to the enterprises of high market status. This paper is to reveal how the status of the enterprise market affects its management of internal and external financing ability by t empirical data.

KEYWORDS: Business financing; Market position; Commercial credit

1 INTRODUCTION

The primary stage of any enterprise development are mostly the production and sale of products, so the occupation of the commercial credit and occupied is related with the sale of products; and with the national financial market development, capital itself can create value in the capital market, the enterprise will pay more attention to the efficiency of the use of funds, will pay more attention to the commercial letter for the use of corporate funds to improve efficiency. From such a perspective, the use of the essence of commercial credit is a kind of capital structure decision-making based on adjustment of assets and liabilities. Of course, not all enterprises can according to their own needs to adjust the operating funds of commercial credit flexibly, commercial credit as an important business financing sources, the distribution between enterprises will have rules and the deeper reason. In view of this, this paper listed in Shanghai and Shenzhen two city 2010-2013 years electric energy companies as a sample, analysis the status of the enterprise market impact business financing to enterprises by commercial credit. Following the framework of this paper: the first part is the introduction; the second part of the theoretical analysis and the research hypothesis; the third part data and methods; the fourth part is the analysis of the empirical results; the fifth part is the conclusion.

2 THE THEORETICAL ANALYSIS AND THE RESEARCH HYPOTHESIS

Isman and Raturi (2004) and Van Horen (2005) hypothesis proposed that commercial credit competition, the motive power of enterprises to provide commercial credit is competitive in the market, and commercial credit as a means of competition by using is becoming more obvious in the enterprise. Think of a buyer's market theory of commercial credit, liquidity that financing for unconstrained firms still through the commercial credit financing to obtain the supplier (Fabbri and Menichini, 2010). Of course, these two theories have different focuses, but their conclusions have in common: the pressure of competition of enterprises through the provision of trade credit financing will give up their own interests to the customer. The UK's Summers and Wilson (1999) through empirical
research on 655 enterprises found the most of the enterprises taking the commercial credit as a cheap financing resources to use. Specifically, when the enterprise has the market position, and the supplier's market position is not high, bargaining power is relatively weak, enterprises will extend the use of advance payment and payment etc. the other way requires the supplier to provide more commercial credit for it. Fisman and Raturi (2004) and Van Horen (2005) that the main reason which can promote the commercial credit provided is that competition makes the enterprise has a different market position, market position of the enterprise can be high by applying threat (such as: stop delivery or changing suppliers, etc.) to request more commercial credit. In addition, higher market position even if the business does not provide high commercial credit won't lose customers, this is because the customer to go to establish a new supplier or customer cost will be higher. He updated research, further revealed a deeper problem, Giannetti et al. (2011) found that both the buyer and the seller's market position has important influence on commercial credit terms, the market status of high buyer will obtain more favorable terms, at the same time, in the fierce competition in the industry, the supplier will provide more preferential discounts for early payment. Based on the above analysis, we put forward a hypothesis: in the other conditions are the same, the commercial credit and market position of enterprises to obtain positive correlation

3 DATA AND METHODS

3.1 Samples

This paper takes 2010-2013 years China's A shares of listing Corporation as the object of study, centralized screening is the market status of the high power and energy companies, to analyze this kind of research object of asset value in the power and energy companies for more than 20 of the total assets of the natural logarithm of the descriptive statistics, total assets in less than logarithmic after sample were excluded. After the screening the studied samples reached 200 listing Corporation, the researchers used data are from China Tai’an information technology limited company provides the CSMAR database, the SPSS18.0 statistical software is used.

3.2 The Model Setting

In order to test the above hypothesis, we draw lessons from Van Horen (2007) of the basic model, this paper uses regression model is proposed type:

\[
\text{Credit}_{it} = \alpha_0 + \beta_1 \text{MP}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{EBIT}_{it} + \beta_4 \text{LIQ}_{it} + \beta_5 \text{CFO}_{it} + \varepsilon_{it}
\]

CREDIT is the explained variable, respectively, with net trade credit financing, NTC, accounts payable AP and Accounts receivableAR. The formula is: \(\text{NTC} = (\text{Accounts payable} + \text{notes payable} + \text{deposit received}) - (\text{accounts receivable} + \text{notes receivable} + \text{prepaid receivable}) / \text{total assets}\). The economic meaning of index expression is the enterprise through the net capital of commercial credit to obtain the proportion of total assets in the production and management. AP is the enterprise all payables, including accounts payable, notes payable and advance receivable also relative value and total assets of enterprises. Annual accounts receivable is the enterprise not provided AR after depreciation accounts receivable net, with total assets of enterprises and the standard of the year.

He enterprise market position of MP is the explanatory variables, the confirmation about the market status, there are many kinds of methods, which are summed up, generally has the following several: through the questionnaire survey on the way companies, introducing the model with dummy variables form (Van Horen, 2005; Van Horen, 2007), measured by the enterprise to the a single or a few big customer sales, to judge the enterprise's market position (Fabbri and Klapper, 2008). This paper also uses the ratio of total operating income to total assets as the MP value to determine.

He article selected control variables also include some other parameters. The scale of the enterprise SIZE is defined as the natural logarithm of total assets of the enterprise. EBIT is defined as the ratio of the profitability of the total profit and total assets. Ratio of flow definition of LIQ enterprise as current assets and total assets, held by the enterprise current assets and total receivable + prepaid receivable)/(total assets - deposit received) - (accounts receivable + notes payable + accounts payable AP and Accounts receivableAR. The formula is: (3)

\[
\text{MP}_{it} = \alpha_0 + \beta_1 \text{MP}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{EBIT}_{it} + \beta_4 \text{LIQ}_{it} + \beta_5 \text{CFO}_{it} + \varepsilon_{it}
\]

Empirical Results Analysis

First conduct regression effect market position using the first model to analyze the enterprise commercial credit financing:

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\[ N \ T \ C_{it} = \alpha_0 + \beta_1 MP_{it} + \beta_2 SIZE_{it} + \beta_3 EBIT_{it} + \beta_4 LIQ_{it} + \beta_5 CFO_{it} + \epsilon_{it} \]

\( NTC \) as the dependent variable, 
\((NTC)=\{\text{Accounts payable + notes payable + deposit received)-( accounts receivable + notes receivable + prepaid receivable)/ total assets. Used to measure the deduction of enterprise accounts receivable, bills receivable and prepayments are customer occupancy of funds, the enterprise to obtain the net amount of commercial credit. We can see the research sample model for 200 companies, the coefficient of determination \( R^2 \) is 0.199, the explanatory power of the model is good. Coefficients from regression analysis, MP is significantly positive, which shows that the higher the market position, the more the financing of commercial credit, and from the analysis of descriptive statistics can be seen in the sample, average power and energy company commercial credit for the year 1.27%, that, like power and energy companies are business partners occupied capital less, or in other words is occupied by the business partners more money. With the continuous improvement of the enterprise market position, market position companies will reduce its own funds occupied more strength.

**Table 2. Results of model.**

<table>
<thead>
<tr>
<th></th>
<th>MODEL1</th>
<th>MODEL2</th>
<th>MODEL3</th>
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<tbody>
<tr>
<td></td>
<td>NCR</td>
<td>AP</td>
<td>AR</td>
</tr>
<tr>
<td>CONS</td>
<td>.274***</td>
<td>.056</td>
<td>-.171***</td>
</tr>
<tr>
<td></td>
<td>(2.987)</td>
<td>(.642)</td>
<td>(-4.211)</td>
</tr>
<tr>
<td>MP</td>
<td>.092***</td>
<td>.127***</td>
<td>-.064***</td>
</tr>
<tr>
<td></td>
<td>(4.127)</td>
<td>(3.273)</td>
<td>(-5.273)</td>
</tr>
<tr>
<td>SIZE</td>
<td>-.012***</td>
<td>-.078***</td>
<td>.011***</td>
</tr>
<tr>
<td></td>
<td>(-3.123)</td>
<td>(-2.247)</td>
<td>(5.278)</td>
</tr>
<tr>
<td>EBIT</td>
<td>-.034***</td>
<td>-.171**</td>
<td>-.096***</td>
</tr>
<tr>
<td></td>
<td>(-2.796)</td>
<td>(-3.117)</td>
<td>(-3.276)</td>
</tr>
<tr>
<td>LIQ</td>
<td>-.199***</td>
<td>.092**</td>
<td>.139***</td>
</tr>
<tr>
<td></td>
<td>(-5.634)</td>
<td>(3.273)</td>
<td>(6.987)</td>
</tr>
<tr>
<td>CFO</td>
<td>.237*</td>
<td>.179*</td>
<td>-.062***</td>
</tr>
<tr>
<td></td>
<td>(2.008)</td>
<td>(1.837)</td>
<td>(-2.371)</td>
</tr>
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</tr>
<tr>
<td>R-sq</td>
<td>.199</td>
<td>.337</td>
<td>.398</td>
</tr>
</tbody>
</table>

Note: * * *: obviously, at the level of 1%; * *: significant at the 5% level; *: significant difference at 10% level

Coefficient of the controlled variable SIZE, EBIT and LIQ were significantly negative correlation, and is significant at the 1% level, a control variable CFO another at the 10% level significantly. These control variables are significant better testing the market position of MP explanatory variables and explained by the positive correlation between variables of CREDIT net commercial credit financing of NTC, which further show that the higher the market position, the more the financing of commercial credit, namely business partners occupy less funds, or funds occupy more business partners. MODEL1 effectively confirm the hypothesis. In the second model

\[ A \ P_{it} = \alpha_0 + \beta_1 MP_{it} + \beta_2 SIZE_{it} + \beta_3 EBIT_{it} + \beta_4 LIQ_{it} + \beta_5 CFO_{it} + \epsilon_{it} \]

He regression analysis is as follow, The dependent variable is AP MODEL2, Fabbri and Menichini (2010), Giannetti (2010), Huang and Shi (2011) of the commercial credit are payable directly using AP, using AP in this paper is AP, including accounts payable, notes payable and AR also relative value and total assets of enterprises.

\[ A \ AR_{it} = \alpha_0 + \beta_1 MP_{it} + \beta_2 SIZE_{it} + \beta_3 EBIT_{it} + \beta_4 LIQ_{it} + \beta_5 CFO_{it} + \epsilon_{it} \]

MODEL3 of the dependent variable is AR, in this paper should be annual accounts receivable. AR is the enterprise not provided AR after depreciation accounts receivable net, with total assets of enterprises and the standard of the year.

**4 CONCLUSION**

A found that the regression analysis in this model, the explanatory variables of MP market position is still significantly related, but negative correlation, MP is significantly negative that the market status of high enterprise accounts receivable ratio lower than the market low status of enterprises. This reflects the strong market position should be of high quality enterprise accounts receivable, or strong market position of enterprises account receivable account receivable less, aging is short, the theoretical analysis and before is consistent, strong market position enterprises can exert effective threat to downstream enterprises (such as stop delivery, termination cooperation) to ensure timely loan recovery, significant correlation coefficient control variable SIZE, CFO, EBIT and LIQ, and is significant at the 1% level, where SIZE and LIQ are at the 1% level is positively correlated, the other two control variables CFO and EBIT is negative correlation in the level of 1%. These control variables are significant better testing the market position of MP explanatory variables and explained the accounts receivable AR negative correlation between variables of CREDIT, which further explaining the higher market position, the more the financing of commercial credit, namely business partners occupy less funds, or funds occupy more business partners. MODEL3 also verified the hypothesis.
REFERENCES


