The Analysis of the Policy-related Financing to Yunnan Going-out Enterprises Under the One Belt and One Road

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Abstract. The One Belt and One Road upgrades the Yunnan bridgehead strategy and is also the important opportunity to promote Yunnan to deepen reform and open up. During the process of Yunnan enterprises going out, the financing is the first restrict term. This article analyzes the policy financial institution’s financial supporting effects and status to Yunnan enterprises and the status of Yunnan small and micro enterprises, Yunnan special agriculture and so on through researching how the policy financial institution supporting Yunnan enterprises going out to find the problems and reasons during the process of the policy financial institution supporting Yunnan enterprises going out and put forward proposes of the policy-related financing Yunnan enterprises to go out under the One Belt and One Road.

1. Introduction

1.1 Yunnan plays a significant role in the One Belt and One Road

Yunnan plays a significant role in the construction of One Belt and One Road. On the one hand, Yunnan has unique geographical advantage; it faces to the East Asia, Southeast Asia and South Asia, and shoulders the India Ocean and the Pacific Ocean. Yunnan north to connect the Silk Road Economic Belt, south to connect the Maritime Silk Road, it is the only province in China that can communicate the Southeast Asia and the South Asia by land.

1.2 The status of Yunnan enterprises going out

With the development of the ‘going out’ strategy The foreign investment and cooperation of Yunnan province continues to grow, its scale and scope continues to expand, which occupies the first place in the western provinces. During 2012-2016, the amount of foreign investment in Yunnan province increased from 710 million dollars in 2012 to 1.61 billion dollars in 2016, and the number of overseas investment enterprises and institutions increased rapidly from 400 to 680In 2016, Yunnan province has granted 86 new overseas investment enterprises, the amount of the foreign was 1.61 billion dollars, 19.8 percent increase over the same period last year. From 2005 to March, 2017, the number of overseas investment enterprises and institutions has been 688; the total foreign investment has reached 7.855 billion dollars.

2. The influence of the One Belt and One Road on the development of the policy-related finance

2.1 The advantages of policy-related finance under the One Belt and One Road

The policy-related financial institutions have been engaged in foreign business and projects for a long time, they provide relevant financial services for enterprises, and establish the close touch and cooperation with domestic and foreign governments, financial institutions and embassies abroad. Compared to other financial institutions, it has an obvious information advantage. The policy-related financial institutions can make use of their information advantage to help enterprises ‘going out’. Take China Export and Credit Insurance Corporation as an example, it establishes the information
sharing system with national ministries and embassies abroad, providing the overseas risk information to enterprises in time, so as to help ‘go out’ enterprises to guard risks and reduce losses.

2.2 ‘Unimpeded trade’ moved policy financial institutions to innovate financial services

‘Unimpeded trade’ can show One Belt and One Road. As the main financial support of the ‘going out’ strategy, it is particularly important for policy-related finance to innovate the financial service model. In recent years, policy-related financial institutions are active in carrying out the financial innovation, and providing comprehensive financial services to help enterprises go out.

The Export-Import Bank of China published three kinds of innovative businesses-environmental protection and energy saving loans, agricultural industrialization development loans and investment loans of overseas Chinese enterprises in 2013. And it started to use the online bank system since 2013. It is steadily increasing during 2014-2015, and their financial electronic service was continuously improved (Table 1).

Table 1. Online bank business of the Export-Import Bank Of China in 2014-2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>The contracted clients number of online bank</th>
<th>The number of online bank business</th>
<th>The amount of online bank business(100 million RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1000</td>
<td>9900</td>
<td>600</td>
</tr>
<tr>
<td>2015</td>
<td>1681</td>
<td>17523</td>
<td>1687</td>
</tr>
</tbody>
</table>


2.3 ‘financial integration’ take more opportunities for policy-related finance

‘Financial integration’ is an important support of ‘the Belt and Road’. With the construction of ‘the Belt and Road’, the international business of policy banks has been greatly developed. Table 2 shows the international business development of the China Development Bank, Agricultural Development Bank of China and the Export-Import Bank of China.


<table>
<thead>
<tr>
<th>Year</th>
<th>Balance of foreign currency loans(100 million dollars)</th>
<th>Cross-border RMB loans(100 million RMB)</th>
<th>The number of Cooperative banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2505</td>
<td>630</td>
<td>670</td>
</tr>
<tr>
<td>2014</td>
<td>2670</td>
<td>564</td>
<td>707</td>
</tr>
<tr>
<td>2015</td>
<td>2760</td>
<td>690</td>
<td>747</td>
</tr>
</tbody>
</table>

Date sources:The annual reports of the China Development Bank in 2013-2015.

3. Policy-related finance demand and supply of going-out enterprises in Yunnan

3.1 Policy-related financing of going-out enterprises in Yunnan

3.3.1 Policy-related financing of going-out agricultural enterprises in Yunnan

In recent years, the Yunnan branch of the Export-Import Bank Of China has supported coffee industry, aquaculture industry and other agricultural leading enterprises ‘going out ‘ in Yunnan province, it continues to carry out the financial innovation and sets up the comprehensive financial services system for agricultural enterprises, providing financial support for the development of Yunnan plateau characteristic agriculture. Until the end of 2014, Yunnan branch of the Export-Import Bank of China has about 27 agricultural loans customers, the amount of the loan balance is 4.704 billion Yuan.

3.1.2 Policy-related financial institutions provide concessional loan

The Export-Import Bank Of China provides the foreign investment loans for ‘going out’ enterprises in Yunnan, including previous cost loans, fixed assets loans and floating capital loans, encouraging and helping Yunnan enterprises to do the foreign investment. In 2013,in the previous planning stage of the
comprehensive Development Zone project in Laos, the Overseas Investment Company provided previous overseas investment cost loans of RMB 200 million.

3.2 The financial demands of enterprises ‘going out’ in Yunnan

3.2.1 The cross-border payment and settlement needs of enterprises

The cross-border payment and settlement needs is the most basic financial demand for enterprises in the process of “going out”. With the implement of the ‘bridgehead’ strategy and ‘the Belt and Road’, the cross-border trading scale and scope of Yunnan became bigger and bigger. When enterprises carry out the cross-border trade and cooperation, enterprises need the funds payment and to carry on the fund allocation and the transfer. From 2012 to 2016, the amount of the enterprises that take part in the cross-border RMB settlement has increased year by year, this shows that more and more enterprises in Yunnan are facing cross-border settlement and payment demand when they ‘going out’.

3.2.2 The financing demands for foreign investment of Enterprises

When ‘going out’ enterprises carry out the foreign investment, producing many costs that related to the import and export settlement and the cost of the enterprise itself, this requires lots of monetary resources to pay. However, because of the limited capital capacity of the enterprises, enterprises’ self-accumulation is very little, so enterprises need foreign financing at that time.

3.2.3 The financial supporting demands for enterprises to defend against economic risk

In the process of enterprises ‘going out’, the foreign investment and trade faces the higher and more complex risks. The reason is that: the ‘going out’ enterprises not only face the market risks and financial environment risks, but also face the risks of politic, culture, law and policy. This makes the enterprises’ market operating environment affected by the state. Therefore, ‘going out’ enterprises need financial support to prevent complex risks, and then to better development.

4. The problems and causes of policy-related financing going-out enterprises in Yunnan

4.1 Financing means and channels are relatively single

This is because the main financing way of policy-related financial institutions is issuing the financial bonds and lending from the head office, and the government financial fund is difficult to get. Policy-related finance has the special financing system that different from the other finance and the government finance. The policy-related financial institutions can raise money by the government financial allocation, issuing financial bonds, lend from the People’s Bank of China, granting loans and so on. However, the government financial fund is difficult to obtain, and the main loans of policy-related financial institutions is concessional loan and low-interest loan, so the main financing way of policy-related financial institutions is issuing the financial bonds and lending from the People’s Bank of China. Besides, issuing financial bonds has long financing cycle, limited scale and high financing costs.

4.2 The risk management is big and complex

Policy-related financial institutions not only face the economic risks, but also face the national and politic risks. Due to the double attributes of policy and finance of policy-related financial institutions, and the advantages of being the main financial support to help enterprises ‘going out’, Policy-related finance is not only confronted with the management risks and economic risks of ordinary finance, but also face the risks of nation, politic, law and policy, these risks is complex and difficult to control.
4.3 The development of business and product lags behind

The business models and products of policy-related financial institutions can not match the diverse financial needs of enterprises. With the expansion of enterprises ‘going out’ scale and scope, trade and settlement methods are constantly innovating, ‘going out’ enterprises need the diversified and comprehensive financial services. The policy-related financial institutions in Yunnan province were established late, just develops a short time, many businesses are still in the stage of exploration and development, not mature enough. Although, policy-related financial institutions continue to innovate the financial services in ‘the Belt and Road’, it is still difficult to meet the ”going out” enterprises increasingly diverse financial needs.

5. The measures to promote policy-related financing of Yunnan going-out enterprises

5.1 Enlarge the financing resources and broaden the financial channels

In the construction of ‘the Belt and Road’, the ‘going out’ enterprises face with serious financing difficulties, however, the supporting way of policy-related finance is relatively simple and single. Therefore, the policy-related financial institutions should enlarge the financing resources of policy-related financial institutions and broaden the financial channels.

First of all, set up the long-term stable funding channels, providing a stable supply of funds for all kinds of ‘going out’ enterprises. Secondly, explore and establish a diversified policy-related financial supporting system, strengthen the cooperation with the other commercial financial institutions, giving play to the advantages of different financial institutions, complementing advantages and integrating resources. Finally, play the role of PPP and BOT, strengthen the cooperation with Silk Road Fund and ASEAN Fund, and improve the financing system. Besides, absorbing the foreign funds appropriately, raising the proportion of foreign financing in policy-related financing.

5.2 Establish a comprehensive risk management system

Policy-related financial institutions face with complex risks, only by controlling all kinds of risks, can the policy financial institutions be better managed and developed, and provide stable and efficient financial support for enterprises ‘going out’. First of all, give play to information superiority, strengthen the relation and communication with other countries and financial institutions, learn the good risk management experience, establish a comprehensive information database, strengthen the monitoring of all kinds of risks, so as to master the financial, economic, national and other aspects of the risk dynamics in time. Secondly, strengthen assessment and management of national risks. Doing appropriate risk ratings and taking actions for high-risk countries in time. Next, policy-related financial institutions should establish the capital restraint mechanism, balance the development of national strategy and policy-related financial institutions itself, set up a comprehensive risk management system that conforms to the national strategy and adapt itself to its own development. Finally, strengthen the cooperation of banks and insurance, develop cross-border insurance industries rapidly. Give play to risk management strengths of export credit insurance corporate, continuing to optimize the technology for policy-related financial institutions to deal with the credit risks, market risks, financial risks, operational and other risks.

5.3 Enrich the financial products and service model

As the main financial support of enterprises ‘going out’, policy-related financial institutions should keep pace with the times, continue to do the financial innovation, and provide multilevel and comprehensive financial services for ‘going out’ enterprises, meeting the increasingly diverse financial needs of enterprises.

On the one hand, in addition to providing the basic financial services, policy-related financial institutions still can make use of its policy and information advantages to provide consulting service for ‘going out’ enterprises, helping enterprises better master the international economic situation,
financial market dynamics, international trade environment and government policy, for ‘going out’ enterprises better to carry out the foreign investment and trade. On the other hand, make full use of credit insurance and foreign guarantee business, strengthen the supporting power of credit insurance and enrich the varieties of insurance business. In a word, policy-related financial institutions should continue to expand the scope and scope of financial support, broaden business coverage, to carry out financial support for different industries and enterprises. Innovating the financial supporting model and improving the policy-related financial supporting system.

6. Conclusion

The One Belt and One Road brings a huge opportunity for Yunnan province, Yunnan enterprises should grasp the opportunity, give play to the regional advantages of Yunnan province, with the help of policy-related finance and support of law and policy, expanding the scale and scope of foreign trade and investment, finally find a Characteristic ‘going out’ road of Yunnan which accord with the enterprise's own development. What’s more, policy-related financial institutions play a good role in their financial support function, keep up with the times, continue to explore and reform, innovate the financial services and products, speed up its sustainable development. At the same time, strengthen the cooperation between policy-related financial institutions and government, commercial financial institutions and enterprises, strengthen the ‘bank and government’ cooperation, ‘bank and bank’ cooperation and the ‘bank and enterprises’ cooperation. Improving the policy-related finance and forming a comprehensive and multilevel policy-related financial system, so as to better supporting Yunnan going-out enterprises.

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References