Original Research Article

Analysis of investment and financing management risks and prevention strategies of state-owned enterprises under the new situation

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Abstract: At present, the global economic pattern is profoundly adjusted, the pace of domestic economic transformation and upgrading is accelerated, and the investment and financing management of state-owned enterprises, as an important pillar of the national economy, is facing unprecedented challenges. Under the new situation, the policy environment, market dynamics, technological change and other factors are intertwined, making the complexity of investment and financing activities of state-owned enterprises increase significantly. Policy adjustments may bring uncertainty in investment direction, market fluctuations directly affect investment and financing returns, and the superposition of credit risk and operational risk increases the management difficulty. How to realize the efficient management of investment and financing in the complex environment of state-owned enterprises has become an urgent problem to be solved. Starting from the new situation, this paper analyzes the main risks faced by the investment and financing management of state-owned enterprises, and puts forward targeted preventive strategies combined with practical cases, aiming to provide theoretical support and practical guidance for state-owned enterprises to improve the level of investment and financing management and realize high-quality development.

Keywords: New situation; State-owned enterprises; Investment and financing management; Risk prevention

1. Introduction

State-owned enterprises play an irreplaceable role in China's economic development, and the efficiency of their investment and financing management directly affects the stability and competitiveness of the national economy. In recent years, with the intensification of global economic uncertainty and domestic economic restructuring, the investment and financing environment of SOEs has undergone profound changes. Multiple factors such as policy risk, market risk, credit risk and operation risk are intertwined, which makes the investment and financing management of SOEs face severe challenges. The traditional investment and financing management mode has been difficult to adapt to the requirements of the new situation, and it is urgent to explore new risk prevention strategies. Based on the economic background of the new situation, this paper systematically analyzes the types of risks faced by the investment and financing management of state-owned enterprises and their causes, and puts forward practicable preventive measures in combination with actual cases, with a view to providing references for state-owned enterprises to enhance their investment and financing management capability and realize sustainable development.

2. Risks of investment and financing management of state-owned enterprises under the new situation

2.1. Policy risk

Market risk is an important challenge that cannot be ignored in the investment and financing management of state-owned enterprises. At present, global economic fluctuations have intensified, market demand changes frequently, and fluctuations in prices, interest rates, exchange rates and other market factors have far-reaching impacts on the investment and financing activities of state-owned enterprises. For example, a sharp rise in raw material prices may squeeze project profits, a sudden rise in interest rates will increase financing costs, while sharp fluctuations in exchange rates may expose cross-border investments to huge losses. In addition, intensified competition in the industry and rapid changes in consumer preferences may cause investment projects to fail to meet expected returns. State-owned enterprises often have long investment cycles and large scales, and the accumulation of market risks is more likely to have an impact on their financial position. In the face of market risks, SOEs need to strengthen their research and judgment of market trends, establish a flexible investment decision-making mechanism, and at the same time reduce the negative impact of single-market fluctuations through diversified layouts and risk-hedging tools[1].

2.2. Market risk

At present, the global economy is characterized by increased volatility and frequent changes in market demand, and the fluctuations in prices, interest rates, exchange rates and other market factors have a far-reaching impact on the investment and financing activities of state-owned enterprises. For example, a sharp rise in raw material prices may squeeze project profits, a sudden rise in interest rates will increase financing costs, while sharp fluctuations in exchange rates may expose cross-border investments to huge losses. In addition, intensified competition in the industry and rapid changes in consumer preferences may cause investment projects to fail to meet expected returns. State-owned enterprises often have long investment cycles and large scales, and the accumulation of market risks is more likely to have an impact on their financial position. In the face of market risk, SOEs need to strengthen the research and judgment of market trends, establish a flexible investment decision-making mechanism, and at the same time reduce the negative impact of single market fluctuations through diversified layout and risk hedging tools. The management of market risk not only requires keen insight, but also relies on the enterprise's own anti-risk ability.

2.3. Credit risk

Credit risk is a major hidden danger in the investment and financing management of state-owned enterprises, especially in the current economic environment. As a core participant in economic activities, SOEs often cooperate with various enterprises, financial institutions and local governments, and the performance ability of the partners directly affects the safety of investment and financing activities. For example, if the cooperating enterprise defaults on its debt due to poor operation, or the local government fails to fulfill its commitment due to financial pressure, SOEs will face the risk of a broken capital chain. In addition, some enterprises may provide false information in order to obtain financing, further aggravating credit risk. SOEs are often involved in large-scale capital flows, and an outbreak of credit risk could lead to significant financial losses. In order to cope with credit risk, state-owned enterprises need to establish a sound credit assessment system, conduct a comprehensive review of their partners, and at the same time reduce potential losses through the design of contract terms and risk-sharing mechanisms[2].

2.4. Operation risk

Operational risk is an easily neglected but far-reaching part of investment and financing management of state-owned enterprises. State-owned enterprises are large in scale and have complex management chains, and risks caused by human errors, process defects or system failures are common in the decision-making and execution of investment and financing. For example, omissions in the project approval process may lead to compliance issues, operational errors in fund allocation may lead to financial losses, and loopholes in the information system may result in data leakage or decision-making errors. In addition, due to the imperfect internal supervision mechanism of some enterprises, there may be abuse of power by management or irregular operation by employees, further magnifying the operational risks. The investment and financing activities of SOEs involve a large amount of funds and resources, and the accumulation of operational risks may cause irreversible damage to the reputation and financial status of the enterprise. In order to reduce operational risks, SOEs need to optimize internal management processes, strengthen staff training, and improve management efficiency with the help of information technology. The control of operational risk not only requires the rigid constraints of the system, but also relies on the soft guidance of corporate culture.

3. Risk Prevention Strategy for Investment and Financing Management of State-owned Enterprises in the New Situation

3.1. Establishment of a sound risk early warning mechanism

Risk early warning mechanism is the first line of defense in investment and financing management of state-owned enterprises, and its importance is self-evident. In the complex and changing market environment, the latent and sudden nature of risk puts forward higher requirements on the adaptability of enterprises. A perfect risk early warning mechanism can help enterprises identify potential risks in advance and take timely countermeasures. For example, early signals of market fluctuations, credit defaults or liquidity crises can be captured through real-time monitoring of macroeconomic indicators, industry dynamics and corporate financial data. State-owned enterprises need to combine their own characteristics, build a multi-level and multi-dimensional early warning system, and utilize big data, artificial intelligence and other technical means to improve the precision and timeliness of early warning. The effectiveness of the risk early warning mechanism not only relies on advanced technical tools, but also requires internal collaboration and rapid decision-making ability[3]. Only by deeply integrating the early warning mechanism with daily management can we truly prevent problems before they occur and escort the sound development of the enterprise.

3.2. Strengthening investment project management

Investment project management is the key link of investment and financing risk prevention for state-owned enterprises. From project to implementation to operation, each stage of the project may hide risks, and a little carelessness will lead to waste of funds or investment failure. State-owned enterprises need to conduct sufficient market research and feasibility analysis before the project to avoid blindly following the trend or over-expansion. During project implementation, strict budget control and schedule management are essential to ensure the efficiency of capital utilization and the timely implementation of the project. During the project operation phase, regular performance evaluation and risk screening can identify and solve problems in a timely manner. For example, a state-owned enterprise neglected the late management of the project, resulting in investment returns much lower than expected, and even losses. Strengthening investment project management not only requires a perfect system to guarantee, but also relies on the execution and responsibility of the professional team. Only through the fine management and risk awareness throughout the entire life cycle of the project, can we maximize the benefits of investment and lay a solid foundation for the sustainable development of the enterprise.

3.3. Optimizing financing structure and channels

Nowadays, some state-owned enterprises rely excessively on bank loans, resulting in high financing costs and increased liquidity risks. To optimize the financing structure, it is necessary to find a balance between debt and equity financing, and appropriately introduce tools such as long-term low-interest bonds or perpetual bonds to alleviate the pressure of short-term debt repayment. For example, by issuing perpetual bonds, a state-owned enterprise not only reduces its financing costs, but also optimizes its asset and liability structure, providing financial support for its long-term development. Diversification of financing channels is also crucial. SOEs should actively explore new financing channels such as capital market, green finance, supply chain finance and other new financing channels to broaden the source of funds. Taking green finance as an example, a state-owned enterprise has not only reduced its financing cost by issuing green bonds, but also enhanced its corporate image and won the favor of more investors. Supply chain finance, on the other hand, provides enterprises with flexible financing methods to revitalize accounts receivable and alleviate capital pressure through cooperation with upstream and downstream enterprises. Diversified financing channels can not only diversify risks, but also create more value for enterprises[4]. Optimizing the financing structure and channels requires enterprises to combine their own characteristics and flexibly use financial tools. For example, for enterprises with stable cash flow, they can give priority to asset securitization and other methods to convert stock assets into liquid funds; for science and technology innovative enterprises, they can reduce the debt burden with the help of equity financing or venture capital. At the same time, enterprises need to strengthen the supervision and performance evaluation of the use of funds to ensure the rational allocation and efficient utilization of financing funds. In the complex and changing market environment, optimizing financing structure and channels is not only a need to reduce financial risks, but also an inevitable choice for enterprises to achieve high-quality development.

3.4. Strengthening credit management

Credit management stands as the core element in preventing investment and financing risks for state-owned enterprises, which is directly linked to the enterprise’s capital security and market reputation. In investment and financing activities, credit risks often manifest as the default of cooperation partners, overdue debts, or the invalidation of guarantees, bringing substantial losses to the enterprise. State-owned enterprises are required to establish a comprehensive credit assessment system to conduct a thorough review of the financial status, operational capabilities, and credit records of cooperation partners, thus avoiding cooperation with high-risk entities. For instance, a state-owned enterprise failed to conduct sufficient credit assessments on its cooperation partner, resulting in the inability to recover project funds and ultimately incurring bad debts. Credit management is not confined to external cooperation partners. Enterprises also need to enhance credit awareness internally to ensure the transparency and compliance of financing behaviors. Moreover, state-owned enterprises should actively utilize financial instruments such as credit insurance and factoring to reduce credit risk exposure. Strengthening credit management requires enterprises to approach from multiple aspects, including institutional construction, technological means, and talent cultivation, to form a long - term mechanism[5].

4. Conclusion

Under the new situation, risk prevention of investment and financing management of state-owned enterprises has become a key link for them to realize high-quality development. The complexity of policy risk, market risk, credit risk and operation risk requires state-owned enterprises to build a systematic and scientific risk management system. By establishing a sound risk early warning mechanism, strengthening investment project management, optimizing financing structure and channels, strengthening credit management and other strategies, SOEs can effectively reduce investment and financing risks and improve resource allocation efficiency. In the future, state-owned enterprises need to combine their own characteristics, constantly innovate risk management means, enhance the ability to cope with the complex environment, and make greater contributions to the stability and prosperity of the national economy.

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Research interests

Corporate investment and financing.

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