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Research on the Influencing Factors of Capital Structure of Listed Companies in China

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ABSTRACT. *Since the reform and opening up, China has implemented a variety of policies to open up a variety of financing methods for the development of the capital market. With the changes of the times, the capital structure of listed companies is constantly developing and improving. An important part of the economy, but the capital structure of China's listed companies is even more deficient. Based on the composition of the capital structure and related theories, this paper aims to find out the deficiencies of the capital structure of China's listed companies, and proposes some solutions to improve the current situation and corresponding optimization measures.*

KEYWORDS: *capital structure, listed company, optimization measures*

1. Introduction

In recent years, China's listed companies have developed rapidly, playing an increasingly important role in the composition of our economy[1]. However, if the development is too fast, a series of problems will occur, such as insufficient funds, single financing methods, and irrational debt structures. In the industry competition, the company's bond funds maintain an appropriate proportion, so that companies can better prevent and control risks and obtain the expected return value. Foreign studies have begun to develop from the relationship between the capital structure and the enterprise product market to the arrival of the Cournot model, which analyzes the relationship between the level of corporate debt and the market and has developed quite mature. In contrast, domestic research based on foreign countries is suitable for the type of capital structure of Chinese listed companies. The development of the company is closely related to the imperfect mechanism and incomplete theoretical guidance. For example, compared with the more mature foreign markets, domestic listed companies are more inclined to equity financing companies with asset-liability ratios lower than the international average. It can be seen that the debt structure of

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Chinese listed companies is unreasonable and the current debt ratio is high. In such a capital market, if China's listed companies want to ensure strong development, they must conduct a large number of theoretical studies as guidance to provide a reference basis for the improvement of China's capital market mechanism[2].

2. Status Quo and Problems of Capital Structure of Listed Companies

2.1 Corporate weighted average cost of capital

The capital cost structure of a listed company is usually the cost of each type of capital (after tax) times its share of total capital. However, the proportion of state-owned shares in listed companies in China is relatively high, and the weighted average cost of capital has increased. In general, the cost of capital will be a very important reference for companies to choose project investment[3]. The internal enterprise evaluation will first evaluate the project unit in operation, and then provide a basis for decision on whether to continue to add funds to this project. There are some listed companies in China that expect stable returns. These listed companies can reduce the high-cost equity capital of the project by increasing the long-term debt of the company. However, most listed companies have not taken measures to increase the company's weighted average capital cost. increase.

2.2 Sensor NetworksCorporate financial leverage income

Chinese listed companies' financial leverage is subject to some restrictions. These restrictions tell us that because most companies' equity financing costs are much lower than the cost of debt financing, the debt financing of most listed companies in China has the characteristics of low weighted financing costs, which requires new requirements for listed companies. It is necessary to find suitable financial leverage to increase the financial leverage income. The level of financial leverage income has a certain relationship with the service quality of financial institutions serving the company, the number of financial instruments, the maturity of the capital market, and financing costs. Investors with equity claims have made indirect investments. Even banks also bear the functions of the government, and the capital market has a better subdivision, which can effectively transfer the funds of the owners to the places that play an active role and increase the financial leverage of the enterprise[4].

2.3 Shareholding structure of listed companies

China's listed companies have great disadvantages in the shareholding structure. The company's total share capital is small and its market liquidity is poor. On the other hand, China's listed companies are highly concentrated. These problems will lead to a lot of corporate governance issues. There is no clear understanding of governance and it cannot form an effective constraint on operators. State-owned

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stock holding companies have the ability to control the management and management of listed companies, so the development of the stock market in institutions faces problems of the nature of ownership of enterprises[5].When companies are reforming their ownership systems, the government will effectively control corporate governance and bring effective corporate governance constraint.

3. Analysis of Factors Affecting the Capital Structure of Listed Companies in China

3.1 National macroeconomic policy

The external of the enterprise needs government departments and related policies to supervise the operation of the enterprise. If the regulatory system is not an effective system, the development of the company's capital structure will be random, or even random. The system of capital structure established by listed companies in China has not played its due role. This is manifested in that it only works for some services of the enterprise, so this is not conducive to the long-term development of the enterprise and causes an uneven development of our market.

3.2 The level of economic development

Studies by foreign scholars have shown that the composition of the capital structure is caused by a variety of factors, including the level of economic development of a country and the implementation of different economic systems. These variables analysed and interpreted the debt ratios of 17 countries. China has a large population base and a vast territory. Especially with the pace of reform and opening up, the gap between the economic development levels of the north and the south of the eastern and western regions of the coast is obvious, and there is a certain gap in economic growth rates. The region in which the company's general divisions are located is closely related to the economic development of the region in which it is located. According to relevant data, those developed provinces and cities have higher financial leverage than the developing provinces and cities. For example, the asset-liability ratio of most companies in Inner Mongolia is at the lowest level in the country. Relatively speaking, Beishang, Guangshen and Shenzhen can reach an asset-liability ratio of more than 50%. Some regional economies have different results, which explains the capital structure and economy The level of development has a certain correlation[6].

3.3 The life cycle of the enterprise

The lowering of commodity prices has led to greater consumer demand. At this time, enterprises are developing in fluctuations. The economic recession in the economic recession period has caused the production and operation of most enterprises to

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begin to decline, the financial situation is in trouble, it has begun to prosper, and profits have continued to increase. At this time, increasing liabilities can allow enterprises to develop rapidly. In recent years, the debt ratio of Chinese enterprises has been in a downward trend, which has a certain relationship with the life cycle of enterprises[7].

4. Optimization of Capital Structure of Listed Companies and Suggestions

4.1 Improve the bond market

The support of the government's macro policies is reflected in the government's cancellation of the administrative control over the issue of interest rates, the establishment of a strict disclosure system, and the improvement of bond ratings. Consideration should be given to giving appropriate preferential policies to corporate investors. The two aspects of the debt service mechanism complement each other to ensure that the interests of investors are not violated. The current state of providing effective information in the corporate bond market will be detrimental to the development of the corporate bond market. An important sign of a mature bond market is the existence of the right to provide corporate bond information. The lack of on-site management objectively affected the development of the corporate bond market. All companies that meet the requirements for lowering a box of bonds issued by enterprises are allowed to participate in the bond market and expand the base of the bond market. At the same time, it is necessary to set about the secondary market, improve the liquidity of bonds, promote the development of the primary market, and establish a reasonable credit rating system to ensure its better operation[8]. The increase in corporate bond investors can be traced back to China's capital market operation model. China's lack of sufficient institutional investors will not be conducive to stabilizing bond interest rates in China's financial markets, so we must improve the bond market as soon as possible.

4.2 Increase the proportion of debt financing

Looking at the development of successful listed companies at home and abroad, the development and growth of the company is far from feasible except for government policy subsidies. On the one hand, the company needs to expand market share, reduce capital costs, and gradually optimize the company's capital structure inspection. On the other hand, from the perspective of the governance mechanism, the small proportion of debt financing in China's state-owned enterprises has been fundamentally resolved, mainly to promote the reform of the investment and financing system as soon as possible, encourage SMEs to develop debt financing, and improve the equity incentives of managers of state-owned enterprises. Solve the problem of higher overall debt levels. In addition, accelerating the reform of government institutions is also a place worthy of focus on increasing debt financing. Debt financing should vigorously develop corporate bond financing methods. By exaggerating debt financing, the company can improve the efficiency of capital use, the resources controlled by the operator will also increase, and its own funds can be used reasonably. Therefore, the company should increase the financing ratio. On the other hand, in China's corporate debt financing methods, the relaxation of restrictions on corporate bond rates should be encouraged. Enterprises should establish interview departments to strengthen shareholder oversight and actively promote endogenous financing. They should use the opportunities provided by the national environment to encourage enterprises to increase the liquidity of their assets, and further build a signal transmission mechanism to improve the liquidity of the stock market. Allotment and issuance of new shares are subject to institutional supervision.

4.3 Expand corporate financing channels and establish multiple financing methods

The expansion of financing channels and the increase in financing methods have, to a certain extent, optimized the capital structure of Chinese listed companies. Accelerate the reform of the banking system; further strengthen the bank's credit constraint mechanism, and stimulate corporate demand for bonds from other financing methods. According to the reasons for the financing of the enterprise, rationally raise funds. Corporate financing is generally for the purpose of expanding operations, but also for repaying debt, which requires long-term funding to form decisions. In the financing process, we should also consider the risk situation, predict the results, and choose a reasonable financing method. Therefore, we must increase the proportion of debt capital within an affordable range and reduce the debt capital of enterprises. According to the company's own capital structure and reasonable selection of appropriate financing methods, when the state-owned enterprise capital organization is optimized, it can exaggerate the general situation of the owner's interests to choose equity financing. It is necessary to use the role of debt in financial leverage to operate in the enterprise. Those who want to increase after-tax profits as much as possible should also use liabilities to promote more market-oriented corporate financial structures[9]. Reforming the financial system and innovation in financial organizations can further harden the efficiency of state-owned enterprise capital markets. It is recommended that effective debt repayment guarantee mechanisms and managers be established. Equity incentive system; cultivate the conditions under which they can play an effective role; in terms of equity structure, it is proposed that China should further develop the bond market, starting with the optimization of the capital structure, while conducting solid investigations and explorations on the current share split, and establishing a variety of Financing.

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