

# Research on Financial Support for Agricultural Machinery Enterprises to "Go Global" -- Evidence from China

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**Abstract**— *Financial service support is an indispensable institutional arrangement in the process of "going out" of agricultural machinery enterprises in China. Financial support plays a supporting, optimizing and serving role in "going out" of agricultural machinery enterprises. But at present, Chinese agricultural machinery enterprises are facing the problems of financing difficulty, high financing cost and imperfect financial support policy. Therefore, the government and financial institutions should attach importance to the financial service support, strengthen cooperation, improve the level of financial services, and improve the anti-risk ability, so as to guarantee the "going out" of China's agricultural machinery enterprises.*

**Keywords**— *Agricultural machinery enterprises, go global, financial services support.*

## I. INTRODUCTION

With the rapid development of the world economy, China's economic development model also ushers in a new period of transformation. "One belt, one road" China is one belt, one road, and the other countries, especially Southeast Asia, Central Asia and South Asia, are promoting large-scale agriculture. They have huge demand for agricultural machinery products. At the same time, the demand for agricultural machinery in China is saturated and the agricultural machinery and technology have greatly improved. The "one belt, one road" policy is also the right choice for enterprises to grasp the opportunities for economic development. However, there are still some problems: "going out" agricultural machinery enterprises are facing a new market environment, the establishment of credit needs time, and the agricultural machinery project itself has a large investment and a long cycle, the test will be more severe. Therefore, the "going out" of agricultural machinery enterprises in China needs support from many sides. Financial service support is an indispensable support for Chinese enterprises to "going out". Financial service should help Chinese agricultural machinery enterprises to "going out".

## II. THE IMPORTANT ROLE OF FINANCIAL SUPPORT IN "GOING OUT" OF AGRICULTURAL MACHINERY INDUSTRY

Financial support is an inevitable choice for China to fully integrate into the world economy and develop a new economic model. Financial institutions and financial markets should integrate China's technology, products, resources and other elements to form a joint force to promote its going out. In view of the "going out" of agricultural machinery enterprises in China, financial support can play a role of support, optimization and service.

a. Financial support plays a supporting role in "going out" of agricultural machinery enterprises. Finance makes use of its leverage to make capital increase and gather rapidly in a short

period of time, effectively solves the problem of capital shortage of enterprises, and provides effective support for agricultural machinery enterprises to "going out".

b. Financial support plays an optimized role in "going out" of agricultural machinery enterprises. When agricultural machinery enterprises "going out", finance can give full play to the role of optimizing resource allocation and promote the upgrading and optimization of industrial structure. The investment direction of funds is from low efficiency projects to high efficiency projects, and more attention is paid to selecting projects with development potential for investment, catalyzing the development of related industries and upgrading and optimization of product structure.

c. Financial support plays a service role in "going out" of agricultural machinery enterprises. Enterprises cannot going out without financial support such as pricing, financing, exchange, settlement and hedging. Chinese enterprises are in urgent need of increasing financial support in their export and investment. In particular, the investment scale of agricultural machinery industry in peripheral factories is large, the collection cycle of product export is long, and there is a high risk of business operation.

## III. THE CURRENT SITUATION AND PROBLEMS

### A. The Current Situation of Financial Support for "Going Out" of China's Agricultural Machinery Industry

At present, there are three main types of financial service support subjects for "going out" of China's agricultural machinery industry: government institutions, financial institutions and joint institutions. The "going out" of agricultural machinery industry involves many government agencies, mainly including the administration of foreign exchange, the Ministry of finance, the Ministry of Commerce, the Ministry of agriculture, the General Administration of customs, the State Administration of Taxation, the China Insurance Regulatory Commission, etc., which provide foreign exchange management and tax for the "going out" of

agricultural machinery industry according to its own characteristics, export situation and development objectives Receive preferential financial policy support. Financial institutions include policy financial institutions and commercial financial institutions. In the financial support of agricultural machinery "going out", policy financial institutions mainly provide policy financial services for China Export Import Bank, China Development Bank, China export credit insurance company, mainly providing export credit, consulting guarantee services, credit insurance and other policy financial support. In recent years, state-owned banks and joint-stock banks in commercial financial institutions have also provided financial support for the "going out" of agricultural machinery industry. Joint institutions mainly refer to the combination of commercial financial institutions and policy financial institutions, and the combination of financial institutions and governments. The financial services of "going out" in China's agricultural machinery industry mainly include: credit fund support, consulting and other additional services, equity fund support, credit insurance support, exchange settlement support.

#### *B. The Financial Support Problem*

a. The policy system needs to be further improved. First of all, the establishment of special funds for agricultural machinery export is not perfect enough, and the government funds cannot effectively promote social funds. Second, the lack of a unified coordination of the organization and mechanism. Finally, there is a shortage of high-quality compound talents in the international field of agricultural machinery, so enterprises need talents who can handle international affairs, are familiar with international rules and practices, and have specialized knowledge of agricultural machinery to provide professional support for the development of enterprises.

b. Agricultural machinery enterprises "going global" financing difficult and high financing costs. China's financial market is not mature enough, the financing cost is high. Due to the imperfect global credit granting system, the financing of overseas subsidiaries cannot be guaranteed with the parent company's credit line and the parent company's funds, which makes the financing of overseas subsidiaries difficult. Domestic commercial financial institutions lack financial overseas branches, or their financial service quality and efficiency are not high, and the examination and approval procedures are complicated and the operation time is poor. Policy-based financial institutions mainly serve large state-owned enterprises and provide less financial support to agricultural machinery enterprises. In terms of overseas financing, Chinese enterprises are limited by their enterprise size, strength and the understanding of the financial institutions of the host country on their enterprise background, so it is difficult for them to obtain sufficient financing overseas. In terms of international settlement, exchange settlement is restricted. Due to the lack of domestic and foreign integration platform, foreign exchange system restrictions and other reasons, enterprises cannot effectively allocate foreign exchange funds at home and abroad, and cannot centralize the management of foreign exchange funds.

## IV. CONCLUSION AND COUNTERMEASURES

### *A. Conclusion*

Under the "One Belt And One Road" strategy, China's agricultural machinery enterprises to "going out" is not only the domestic market tends to saturate the choice, but also because of the huge potential of the foreign market, to meet the fundamental requirements of the development of agricultural machinery industry, comply with the development of economic globalization. Financial services support, optimize and provide services for agricultural machinery enterprises to "go global". The financial industry faces both challenges and opportunities when supporting enterprises to "go global". Therefore, the government and financial institutions should attach importance to financial service support work, strengthen cooperation, improve financial service level and enhance the ability to resist risks, so as to escort China's agricultural machinery enterprises to "go global".

### *B. Countermeasures and Suggestions*

a. Strengthening policy support. We will establish a sound legal system for overseas financial support and improve rules and regulations. There are only departmental rules and regulations in the management of overseas investment in China, but it has not been elevated to the legal level. The joint management of multiple departments may easily lead to many examination and approval links and low efficiency. The Chinese government should establish and improve a positive financial support system to increase the stability of financial support, taking into account the actual conditions of the economic system, the relationship between the market and the government, and the economic and financial markets, and drawing on the experience of foreign investment legislation.

We will improve the foreign exchange settlement system. The Chinese government should improve the foreign exchange management system to make it more convenient and promote the foreign investment of agricultural machinery enterprises. First, some policy restrictions that discourage Chinese agricultural enterprises from exporting, allocating foreign exchange and avoiding foreign exchange risks should be lifted. Secondly, the guarantee management methods should be simplified, the authority of external guarantee should be expanded, and the risks should be grasped independently by Banks. Finally, improve the international status of RMB.

b. Strengthening the support of financial institutions. For policy financial institutions, the first is to clarify the functional orientation of policy financial institutions. Policy financial institutions should play a leading role in financial service support. Policy financial institutions with government support can provide relatively preferential financial support and risk guarantee for agricultural machinery enterprises to "go out". When the initial risk point of overseas activities of agricultural machinery enterprises is reduced, the development and expansion of overseas agricultural machinery enterprises, and commercial financial institutions can support the development of overseas agricultural machinery enterprises, policy financial institutions gradually fade out, as a supplement to commercial financial institutions, and coordinate the development with

commercial financial institutions. Second, we will expand sources of financing and channels of financing. Policy financial institutions lack long-term and stable sources of funds, and the level of interest rate does not have international competitiveness. Policy financial institutions should establish stable and diversified channels of capital supply to obtain sufficient capital supply.

For commercial financial institutions, the first is to carry out overseas RMB business. There are many regions with high acceptance of RMB. Commercial banks can provide RMB settlement services for enterprises in cross-border trade, financing and other aspects in these regions, so as to reduce the risk of foreign exchange rate changes caused by the use of foreign currencies and reduce their financial costs. Second, actively carry out overseas layout, accelerate the construction of overseas branches and improve service capacity. Commercial financial institutions should expand their service areas, add outlets in Asia Pacific, Africa and other regions where China's agricultural machinery enterprises are concentrated to export, and improve their short-range service capabilities to enterprises. We will innovate financial support models, improve risk tolerance, and provide international settlement services.

c. Win win cooperation. On the one hand, to strengthen the combination of government and financial institutions, policy

financial institutions and commercial financial institutions, to share risks and resources, is not only conducive to the unified offer to the outside world, but also to reduce the number of institutions fighting each other. On the other hand, strengthen cooperation with financial institutions of foreign countries. China's financial institutions should actively cooperate with the financial institutions of foreign countries, complement each others advantages and improve their risk management capabilities.

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