Financing Status and Countermeasures of New Energy Automobile Enterprises in China

Zhen Nie*
Tongling University, Tongling 244000, China. E-mail: 1264598167@qq.com

Abstract: In recent years, with the development of society and the progress of science and technology, energy and environmental problems have become increasingly prominent, and the new energy automobile industry is gradually emerging in line with the trend of the times. In order to save energy and control pollution, China has launched the promotion measures of new energy vehicles, but with the significant increase in the production and sales of new energy vehicles, the financing needs of related enterprises are also increasing. This paper analyzes the financing situation and existing problems of new energy automobile enterprises in China and puts forward corresponding suggestions.

Keywords: New Energy Vehicle; Financing; Countermeasures

1. Introduction

In order to realize energy conservation, emission reduction and low-carbon economy, China’s new energy automobile industry has achieved rapid development in recent years under the promotion of relevant national policies. During the 13th Five-Year Plan period, China will further improve the industrialization level of pure electric vehicles and plug-in hybrid electric vehicles and promote the industrialization of fuel cell vehicles[1]. By 2020, China will produce and sell more than 2 million new energy vehicles and more than 5 million new energy vehicles cumulatively. The overall technical level will keep pace with the international level, and a number of internationally competitive new energy vehicles and key parts enterprises will be formed. However, the new energy automobile industry has the characteristics of large capital demand and high financing risk, which makes enterprises have certain difficulties in financing and restricts the development of the new energy automobile industry to a certain extent[2].

2. Financing status of new energy automobile enterprises in China

2.1 Characteristics of enterprise financing

After a long period of development, China’s new energy vehicle financing enterprises have the following characteristics: (1) the financing amount is large. As an emerging technology industry, new energy vehicle (NEV) is advanced and diversified in many aspects. In the initial stage of the development of the new energy automobile industry, policies are needed to promote it, and it is also inseparable from the support of a large amount of manpower and capital invested by enterprises; (2) the financing return period is longer. The new energy automobile industry is difficult to achieve because of a wide range of technologies. Its development is innovative and uncertain. Enterprises invest a lot of money to maintain normal operation, but it is still difficult to recover the money invested in a short time; (3) the fi-
nancing risk is high. At present, there are few consumers of new energy vehicles, and it is difficult for enterprises to recover a large amount of capital in a short time[3]. Moreover, the earnings of enterprises are delayed, so the financing risk is high; (4) there are various types of financing. Faced with the challenges of energy and science and technology, the new energy automobile industry, as a strategic emerging industry in China, needs a variety of financing methods to avoid a series of problems of high cost and high risk.

2.2 Financing channels for enterprises

In order to improve the capital shortage of new energy automobile enterprises, many enterprises raise a lot of money through financing to relieve the financial pressure of enterprises. In 2020, due to the impact of the epidemic, the global automobile industry is facing unprecedented demand stagnation. In order to promote the sustainable development of the new energy automobile industry, the new energy subsidy policy has been officially implemented, and the subsidy will be extended to 2022. Meanwhile, the intensity and pace of subsidy regression will be reduced. Different forms of financial subsidies from governments at all levels have become an important source of financing for new-energy automobile enterprises. There are also some enterprises whose funds mainly come from their original financial support and fund accumulation in the process of production and operation. At the same time, they develop capital sources with external financing and obtain funds through joint investment with other investors or through equity, debt and mixed financing[4].

3. Financing problems faced by China’s new energy automobile enterprises

3.1 Risks in corporate financing

In the case of lack of capital, new energy vehicle enterprises often raise funds through financing. However, in the process of enterprise financing, great risks may arise. At present, most of China’s new energy vehicle enterprises rely too much on government subsidies. In recent years, there has been a decline in government subsidies. Even if the new subsidy policy is implemented this year, the benefits of its impact are lagging behind and different to some extent. Moreover, government subsidies will conceal the actual financial situation of enterprises, which is not conducive to promoting enterprises to improve their operation and management, and it may eventually endanger the survival and development of enterprises. If the financing amount of some enterprises is too high, the earnings of the enterprises are likely not to bear these debt funds, then the debt crisis may turn into a financial crisis, and the enterprises will face the risk of bankruptcy if they are not properly handled[5].

3.2 Narrow financing channels

With the new energy automobile industry entering a new stage, the investment and financing market of China’s new energy automobile industry has also changed since 2019, showing a downward trend. Enterprises have limited self-owned funds and their external financing needs grow rapidly. However, the financing channels are relatively single and the financing treatment is uneven. As a result, quite a few enterprises in the industry, especially small and medium-sized enterprises, are faced with the problems of difficult financing, expensive financing and shortage of funds. Most of these enterprises have irregular operation and management and poor sense of self-accumulation, which leads to the source of internal financing of enterprises[6]. As a result, banks generally give them low credit rating instead of high evaluation. Therefore, it is difficult for enterprises to obtain external financing support. The narrow financing channels of small and medium-sized enterprises are the key to their financing difficulties. It is unrealistic to put all their hopes on credit funds and rely on banks, which will ultimately go against the long-term healthy development of enterprises.

3.3 Insufficient capital investment of enterprises

Over the past year and more, sales of new energy vehicles have declined, financing has been difficult, and subsidies have been withdrawn. Many new energy vehicle enterprises have cut wages and expenditure and even come close to bankruptcy. The new energy automobile enterprises which are independent from the traditional automobile enterprise
project are mostly funded by the parent company. However, in the early stage of the establishment of new energy vehicle enterprises, these funds are not enough to maintain the development of the enterprise just like a drop in the bucket. Moreover, when the quality and reputation of these enterprises have not been established, it is very difficult to raise funds through various financing\(^7\). Therefore, the lack of enterprise capital investment is a major obstacle to the sustainable development of new energy automobile enterprises.

4. China’s new energy vehicle enterprises financing countermeasures

4.1 Strengthening risk assessment of corporate financing

By July 2020, according to incomplete statistics, more than 300 enterprises related to new energy vehicles in China have generated over 700 financing events. Next EV has announced a total of 435 million dollars of convertible bond financing in 2020. It can be seen that financing has become an important way for new energy automobile enterprises to raise funds, but it is also accompanied by financial risks such as paying high fixed interest and failing to repay principal due. Many new-energy automobile enterprises have weak risk awareness without accurate professional judgment ability when facing risks\(^8\). Therefore, enterprises must improve the risk management awareness of relevant staff and strengthen financing risk assessment. They also need to establish a systematic and effective financing risk prevention mechanism and timely adopt strategies to prevent and control financing risk\(^9\).

4.2 Expanding financing channels for enterprises

As the orientation and target of the future automotive industry, new energy vehicles are driven by capital. At present, new energy automobile enterprises prefer to adopt internal financing, government subsidies, debt financing and equity financing, etc. These financing methods have some characteristics, including risky, stringent conditions and limited financing quantity, so they are difficult to become the main channel of market-oriented financing in the short term. In order to optimize financing strategies, enterprises can adopt broader and more diversified financing channels for financing and make use of new financing methods, such as green finance. New energy vehicles are a green and low-carbon industry. The use of green finance to boost new energy not only increases infrastructure construction, but also improves the supply capacity of new energy. Enterprises should actively expand appropriate financing channels according to their own actual situation and gradually alleviate the financial pressure of enterprises\(^10\).

5. Conclusion

With the development of technology, the automobile has become a mobile intelligent terminal, energy storage unit and digital space. At present, China’s new energy automobile industry is at the threshold of industrial upgrading, the industry concentration degree needs to be further improved; vigorously developing the new energy automobile industry is an inevitable result of the automobile industry. Therefore, it is of great urgency to increase enterprise capital investment with more financing channels and develop new energy automobile products when industrial structure is in adjustment.

References

1. Kang D. Research on financial risk control of new energy vehicle enterprise financing (in Chinese). Assets and Finances in Administration and Institution 2017; (36): 79, 81.
2. Su R. The financing status and countermeasures of new energy automobile enterprises in my country (in Chinese). Enterprise Science and Technology Development 2018; (5): 12–13, 17.
3. Lu X. Analysis of current situation and development trend of new energy automobile industry in my country (in Chinese). Nongji Shiyoung Yu Weixiu 2019; (10): 32.
4. Lu X, Mu L. Analysis of the financial effect of government subsidies on new energy vehicle companies (in Chi-
5. Zhang Y. Discussion on financing strategy of new energy automobile manufacturing enterprises in my country (in Chinese). Accountant 2019; (7): 37-38.
6. Yu C, Wang J. Research on financing strategy of new energy automobile enterprises (in Chinese). Reformation Strategy 2013; 29(12): 133-136.
7. Chen W. Research on BYD’s new energy vehicle financing model [MSc thesis] (in Chinese). Shandong: Shandong University; 2019.
8. Ren Y. Research on financial risks of new energy vehicle finance leasing business of bank of communications financial leasing company [MSc thesis] (in Chinese). Tianjin: Tianjin University of Commerce; 2019.
9. Yang W. China’s new energy vehicle industry development status, problems and countermeasures (in Chinese). The Farmers Consultant 2020; (17): 223.
10. Zhang Z, Li A. Research on debt financing of new energy automobile SMEs from the perspective of cash cycle (in Chinese). Journal of Qingdao University of Science and Technology (Social Sciences) 2019; 35(3): 22–28.