

Research on Financial Efficiency of Chinese Trust Companies

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Abstract

With the rapid development of China's economy and the rapid growth of the scale of national wealth, along with the expansion of investors' financial needs, and the formulation of relevant policies to promote the development of the trust industry, all sectors of society also increasingly recognize the trust company as a professional financial institution. With its unique institutional advantages, the trust industry has developed rapidly. At the same time, after the implementation of the new trust policy, the supervision tends to be fair, just and open, more and more scientific and standardized. The comprehensive effect of various conditions makes the trust industry surpass the insurance industry and sit firmly in the second place in the financial industry. On the other hand, after China entered the era of big data, the traditional financial industry was impacted by emerging bodies such as Internet finance. At the same time, trust companies have poor risk management ability, and a series of potential risks they face have to be paid attention to. Therefore, in this market environment, if the trust industry wants to really develop and give full play to its market value, it must effectively use the resource allocation role of the trust, fully stabilize its position in the financial industry and reasonably deal with the challenges of other financial industries. Among all the indicators to measure competitiveness, efficiency is the most intuitive. Therefore, in order to further develop the trust industry, we must pay more attention to efficiency. In the issue of efficiency, financial efficiency is very important, which reflects the overall operation level of trust companies. Therefore, this paper focuses on the financial efficiency of China's trust companies under the new situation, further discusses the influencing factors of financial efficiency based on the analysis of the financial efficiency level of trust companies, and puts forward relevant suggestions on this basis, in order to improve the financial efficiency of the trust industry.

Keywords

Trust company, service efficiency, influence factor.

1. Introduction

China's trust industry is the product of reform and opening up. It has a history of 41 years from the establishment of the first trust company in 1979 to 2020. In the first ten years, the number and scale of trust companies expanded rapidly, reaching thousands at most. Because it is an emerging industry and lacks relevant operation and management experience, China's trust industry once fell into chaos. Since then, the trust industry has begun to face up to the problems it faces. In just a few years, it has carried out five clean-up and rectification on different scales, and the number of trust companies has decreased sharply. In recent years, the number of trust companies has been maintained at 68. The decrease in the number of trust companies does not mean the decline of the trust industry. On the contrary, since the clean-up and rectification, trust companies have undergone great changes, not only returning to the original trust business, but also the business model tends to be professional. Since then, China's trust industry began to develop at a high speed and made remarkable achievements. Although the development momentum of trust industry is still good, a series of potential risks it faces have to be paid

attention to. Firstly, macro policies have relatively restricted the rapid development of trust companies, such as the implementation of the "new asset management policy" in 2012 and the launch of the asset management plan of commercial banks and insurance asset management companies in 2013, which has fully opened the "Pan asset management era" and further intensified the competition in the financial industry; Secondly, the overall development of China's macro economy is not optimistic. The general environment has seriously restricted the operation of trust companies, and the two "money panic" in 2014 triggered greater liquidity risk. At the same time, the frequency of individual risk events has greatly increased the systemic risk. Due to the above factors, the growth rate of trust industry slowed down in 2014 and entered the stage of transformation and development. At the beginning of the second quarter of 2014, the CBRC issued guidance on risk supervision of trust companies, which promoted the overall structural transformation of the trust industry. The policy has achieved remarkable results, the trust scale has reached the historical maximum within one year, and the business structure has changed significantly, which is more conducive to long-term and sustainable development. More importantly, the document effectively reduces the system risk and better adapts to the current development period of social and economic transformation. Therefore, in this market environment, if the trust industry wants to really develop and give full play to its market value, it must give full play to the advantages of the trust, effectively use its role in resource allocation, fully stabilize its position in the financial industry and reasonably respond to the challenges of other financial industries. Among all the indicators to measure competitiveness, efficiency is the most intuitive. Therefore, in order to further develop the trust industry, we must pay more attention to efficiency.

2. Current Situation of Cost and Profit of Trust Companies in China

Through sorting out the financial annual reports of 68 trust companies, the cost and profit of trust companies in recent three years are obtained. The cost and profit of trust companies are increasing year by year, indicating that the scale of trust companies is expanding and the business situation is good in recent years. However, the growth rate of cost and profit has decreased, and the decline rate of profit growth rate is greater than that of cost growth rate, which shows that the overall cost control situation of the trust company is not optimistic, which restricts the operation of the company and reduces the rising level of profit.

Through in-depth analysis of what factors led to the decline of annual trust business performance, we can draw two main reasons: first, the rapid growth of trust assets ended and the contribution of incremental benefits decreased; Second, while the increment of trust assets decreases, the value also decreases accordingly. This change greatly reduces the rate of return of trust, so it makes less contribution to performance. The above phenomena show that in order to successfully transform and develop the trust industry, we need to play the pulling role of the connotative growth mode and "let go" in both quantity and price. However, this growth mode is not mature in the current development stage of the trust company, so it still takes some time to complete the transformation and development of the trust industry.

According to the above analysis, this paper believes that although the cost and profit of trust companies are on the rise, the rising speed of cost is much faster than that of profit, and the current situation is not very satisfactory. Therefore, how to improve the cost efficiency and profit efficiency of trust companies is particularly important. Only by conducting relevant research can trust companies continue to flourish.

3. Analysis on Influencing Factors of Financial Efficiency of Trust Companies

3.1. Macro Factors

3.1.1. Economic Policy

Since the establishment of China's trust industry, due to the formulation of economic policies, China's trust industry has undergone five rectifications. It can be seen that economic policies and government supervision have a deep impact on the development of the trust industry. Since China implements the system of separate operation and management, while the trust system has considerable flexibility. The fields involved run through the industry, capital market and money market, which will inevitably conflict with China's operation and management system. Therefore, an in-depth analysis of the impact of policy factors can effectively avoid these conflicts, It is conducive to the improvement of financial efficiency of trust companies.

This part systematically analyzes the impact of macroeconomic policies on the efficiency of trust companies from two aspects: short-term and long-term. In the short term, trust companies use economic policies as the yardstick for short-term accounting, including cost and profit accounting. The accounting process affects the total cost and total profit, and then affects financial efficiency. In the long run, the development of trust companies is inseparable from correct strategic decisions, while economic policies guide the formulation of business and strategic decisions, and then determine the development direction of trust companies. Through this series of chain reactions, it will eventually lead to changes in costs and profits, which will obviously change the long-term efficiency of trust companies.

3.1.2. Industrial Structure

China's industrial structure has changed from the primary industry to the primary industry, and the proportion of added value shows a downward trend, while the proportion of added value of the tertiary industry has increased year by year. The growth of the secondary industry has driven the rapid development of China's national economy, among which the industrial manufacturing industry has the greatest contribution, and the influence of the tertiary industry is also increasing year by year. The capital investment of the trust company is affected by the industrial structure. The main investment is industrial and commercial enterprises, basic industries, financial institutions and real estate from high to low, accounting for 24.03%, 21.24%, 17.39% and 10.04% respectively. The capital investment will hardly involve the primary industry, agriculture, forestry, fishery and animal husbandry.

It can be seen that the capital investment of trust companies is closely related to China's industrial structure. Capital is profit oriented, and the industrial structure objectively reveals the income level and production efficiency level of various industries in China. Therefore, capital is bound to flow to industries with high production efficiency, such as financial institutions, real estate, industrial and commercial enterprises and infrastructure industries. As trust companies are specialized institutions in wealth management, they have professional ability to analyze how trust products are adjusted according to the changes of industrial structure, and can effectively grasp the direction of industrial structure adjustment. The cost and profit of trust companies will also change according to the changes of trust products. Therefore, the financial efficiency of trust companies also comes from the impact of the current economic and industrial structure.

3.1.3. Regional Economic Structure

China's economic policy has made relevant restrictions on enterprises to carry out business outside the main camp. Therefore, the structural characteristics and development level of regional economy have become a major factor affecting the operation of trust companies, which will undoubtedly affect their financial efficiency. Different regional economic development

levels lead to the unbalanced operation of trust companies, which is specifically reflected in: first, there are significant differences in economic levels between the East and the west, and the operation of trust companies are also affected to a certain extent. For example, the profit level of Tibet trust is far lower than the average level in the eastern region. In addition, in economically developed areas, there are more powerful investors, and the market capacity is bound to be large. Trust products in these areas have the characteristics of many types, large scale and high rate of return, which have attracted the attention of more investors and will inevitably obtain more profits; On the contrary, in economically underdeveloped areas, the products are not only small in scale, but also low in risk and return. For example, in recent years, the economy of Henan Province and Chongqing has developed rapidly and the urbanization process has accelerated. Zhongyuan trust, Bairui trust and Xinhua trust in both places have made use of favorable regional economic conditions to launch a series of trust products focusing on urban infrastructure construction trust, which has improved the company's performance and increased the profit of the year. Therefore, the region where the trust company is located will have a significant impact on its financial efficiency. The trust company should develop trust products with regional characteristics and meet the market demand according to local conditions and different market environment. Only in this way can the financial efficiency of the trust company be effectively improved.

3.2. Industry Factors

As an integral part of the financial industry, the financial efficiency of the trust industry will also be affected by relevant factors of the financial industry, such as financial structure, financial innovation and so on.

3.2.1. Financial structure

As one of the four major financial industries, under the background of mixed operation, the trust industry has developed rapidly in recent years and its business scope has been continuously expanded. However, emerging bodies such as Internet Finance continue to impact the survival of the traditional financial industry. Therefore, under the current environment, the trust industry is facing not only competition within the trust industry, but also competition from outside the industry.

With the continuous deepening of the reform of the financial industry, for the trust industry, internal and external competition and strict supervision will continue to catalyze the trust industry to improve its awareness and influence in its market, and improve its financial efficiency by improving the profitability and competitiveness of products.

3.2.2. Financial innovation

The trust industry has a wide business scope and rich investment fields, so the investment means are also flexible, covering securities investment, asset securitization, equity and bond investment and so on. It is this characteristic of the industry that also increases the demand for innovation in the trust industry. Only by constantly broadening the business model and developing new products can we better open up new markets, broaden the way of interest inflow, improve the profitability and competitiveness of products, and better improve the financial efficiency of the trust industry.

As the trust industry has many restrictions on the number of bank loans, most trust companies have limited financing channels in terms of financing, and the improvement of the company's development strength will have an increasing demand for funds. Therefore, the bottleneck of the development of the trust industry lies in funds. However, as one of the financial industries, the trust industry can give full play to the function of China funded finance. By building a bridge between the entrusting party and the investor, it can coordinate and dispatch funds. At the same time, it also widens its own financing channels and finds financial support for its own projects.

It can be said that the rapid change of financial products and the continuous development of innovation will also deepen the product innovation of the trust industry, and the continuous improvement of its financial efficiency will be the general trend.

3.3. Micro Factors

3.3.1. Registered Capital

The registered capital represents the strength of trust companies to a certain extent. The increase of registered capital can effectively enhance the confidence of investors. Therefore, most trust companies will actively find strategic investors and investors in order to expand their business and enhance their own strength and investor confidence.

By increasing the registered capital of the trust company, it not only improves its own strength, but also improves the confidence of its customers and investors in the company. In the economic society, it is more the combination between the strong and the strong. In the trust industry, the amount of registered capital can more intuitively show the strength of the trust company from a digital point of view. More customers are more willing to buy trust products of strong companies in order to better ensure their own interests. The reason is that trust companies with strong strength generally have the characteristics of good reputation and strong responsibility performance ability, which can effectively protect the interests of customers or investors. Therefore, the increase of registered capital can positively promote the improvement of financial efficiency of trust companies.

3.3.2. Asset Quality

The reputation of a trust company is closely related to its asset quality. If a trust company has a large number of non-performing assets, it shows that it does not have the ability of risk management, or it does not pay attention to risk management and control in the process of operation. Trust companies with these characteristics will have many problems and risks in the issuance and payment of their products, which will lead to credit risk. Therefore, trust companies should pay attention to asset quality and improve the management efficiency of the company, especially the financial efficiency of the company, by strengthening asset management.

The promulgation of relevant laws and regulations in China also makes China's trust industry improve its asset management level and improve its own asset quality through a variety of means and measures. In addition, the risk control ability of the industry is also improving day by day, especially when the CBRC launched the construction of "eight mechanisms" and "industry stability mechanism" of the trust industry, and the establishment of "trust industry guarantee fund" and its management company have promoted the risk management of the trust industry to the industry level, so as to deal with the systematic risks existing in the industry. The above relevant systems and measures can effectively prevent the generation and growth of non-performing assets of trust companies, reduce the operating costs of trust companies and improve their profitability.

3.3.3. Scale of Trust Assets

At present, with the continuous development of China's trust industry, the scale of its entrusted assets is also increasing. From a theoretical point of view, with the increase of the scale of entrusted assets, the financial efficiency of trust companies should also be improved. Because, on the premise of certain assets, risks and other relevant factors, with the increase of entrusted assets, the operating income of the company should also increase accordingly. However, in reality, the operating income of trust projects of trust companies in China has not increased significantly with the significant increase of the scale of entrusted assets. To some extent, this shows that there are some problems in the development of China's trust industry. At present, most businesses of China's trust industry adopt the way of cooperation with banks. In the

operation of business, trust companies do not actively play their management functions and rely more on banks. Banks not only introduce projects, but also provide funds. Therefore, banks obtain most of the profits of projects, resulting in the low profit margin of the trust industry. Therefore, the financial efficiency of trust companies is affected by the scale of entrusted assets, but whether the impact is positive or negative is still uncertain.

3.3.4. Human Resource Management and Quality

Generally speaking, the number of talents in a company is closely related to its development ability, and the trust industry is no exception. The high educational background, strong professional ability, excellent business level and rich experience of its employees will inevitably improve the business level and competitiveness of the trust company, and then improve its financial efficiency.

As a special industry, the trust industry is particularly prominent in the demand for business innovation, which puts forward higher requirements for the ability of employees, the selection and allocation of employees is more stringent, and the ability of employees is also continuously improved, which greatly promotes the improvement of the financial efficiency of trust companies. Especially in recent years, with the increase of the proportion of employees with master's degree or above, the quality of human resources in the trust industry has been greatly improved, which plays a more and more obvious role in promoting the improvement of financial efficiency.

4. Suggestions on Promoting the Financial Efficiency of Trust Companies

4.1. Improve self-management ability

For a long time, asset management has been a major weakness of the trust industry. Tracing back to the source, it can be attributed to two reasons: first, the inaccurate positioning of the developing market. In the past, the trust industry was more used as a financing channel to meet the needs of funds. Second, lack of market pressure and endogenous power. The rapid economic development has greatly accumulated social wealth, which has greatly promoted the development of the trust industry, but the good market environment makes the trust industry lack of market pressure, and then lack of endogenous power to make full use of its advantage of diversified business, and failed to actively and independently improve its own asset management level.

The key to the long-term and sustainable operation of trust companies is to continuously improve the fund management level. Its core is to pay attention to the market demand, actively give full play to the flexible design of trust products, design products to meet the needs of customers on the basis of market demand, actively expand the business scope of trust, and develop the trust in personal finance The use of corporate finance and public welfare. For example, in the field of family trust, its purpose is to inherit and inherit wealth. If we can combine trust and family wealth and customize trust products that meet its characteristics according to the actual situation of family operation, it will be an innovative application of trust in improving its own asset management level.

The improvement of self-management ability will greatly promote the asset scale and management level of the trust company, and also promote the improvement of the company's financial efficiency.

4.2. Strengthening the risk control of trust companies

The continuous operation of financial enterprises is inseparable from a good level of risk control, and so is the trust industry as a branch of the financial industry. In its business process, it will inevitably encounter systematic and non systematic risks, such as policy risk, credit risk and so on. In order for the company to carry on better, the trust company will be cautious in the

process of risk control and adhere to a conservative and stable management model to control the risk at an acceptable level. This is also summarized from the experience and lessons of past development. In the past, most trust companies did not pay attention to risk management and control, and over investment and inter-bank lending occurred from time to time. Therefore, many trust companies had a high rate of non-performing assets, resulting in a high risk level in the industry, which disrupted the orderly development of the financial market to a certain extent. Therefore, they paid attention to risk management and control, Improving the ability of enterprise risk control and reducing the rate of non-performing assets will be the top priority for the sustainable and healthy development of the trust industry, and the improvement of the financial efficiency of trust enterprises is inseparable from this condition. Therefore, the trust industry should pay attention to the ability of risk control in order to better improve its financial efficiency.

4.3. Promote the innovation of trust business model

Trust companies should pay attention to the innovation of trust business model from the following two aspects. First of all, active financing replaces passive financing. Based on the unique institutional advantages of trust, the future development trend should be that trust companies should first establish an efficient financing pool, accumulate sufficient funds, actively select good projects, and improve the rate of return on investment through investment organization, so as to improve the financial efficiency of enterprises. Secondly, the commission income is replaced by the investment benefit. For the more sustainable development of the trust company, its profit model should be changed. In the past, the trust company mainly charged commission income for the investment of a project. In the future, the trust company can choose an investor to participate in the project, that is, to obtain income by means of equity investment. In the future, facing the increasingly competitive market, the trust industry can only accelerate the transformation and upgrading of business mode, improve professional quality and risk control ability, and gradually develop into a highly competitive branch of the financial industry. The financial efficiency of the trust industry or trust companies will also be fundamentally improved

4.4. Strengthen the training of professional talents

Professionals are very important for the development of the company, especially for the financial efficiency of trust companies. The improvement of financial efficiency lies in various efforts and cooperation. In this process, every aspect is inseparable from the role of professionals. For example, product design and R & D is inseparable from the professional R & D and design talent team, They can design corresponding products according to customer needs, which will undoubtedly improve the company's sales and profits, and it is also conducive to the circulation of funds in the society and better promote economic development. Therefore, trust companies should pay attention to the cultivation of professional talents and cultivate talents in all links including R & D and sales. At the same time, we should also pay attention to the cultivation of talent quality and professional ethics when cultivating the ability of professionals. Only in this way can we better improve the financial efficiency of trust companies.

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