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Qingdao Haier's solvency and its influencing factors

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Abstract: the solvency of an enterprise plays an important role in its financing strategy and development strategy.This paper selects the financial data of Haier Group from 2015 to 2019, analyzes the solvency of the enterprise by analyzing a series of indicators, and tries to find out the influencing factors of its solvency, such as operating capacity, debt structure, macro policy, and so on. At the same time, it puts forward corresponding suggestions for its operating capacity, capital structure and corresponding policies to help Haier Group reduce its financial risk, Enhance its solvency and industry competitiveness.

1. Introduction

The solvency of an enterprise is divided into short-term solvency and long-term solvency. The solvency of an enterprise is one of the most basic indicators, which is related to whether the enterprise can continue to develop in the competitive environment. If the listed companies do not pay enough attention to the solvency of the enterprise, it is likely that the debt of the enterprise will be unable to repay or even directly insolvent, resulting in bankruptcy. It can be seen that the liquidity of the assets owned by the enterprise and its solvency are very important to the future development of the enterprise. Taking Haier Group as an example, this paper explores the main factors affecting the solvency of enterprises and puts forward corresponding improvement suggestions.

2. Analysis of Haier Group's solvency

2.1 Company profile

Haier Group is a national super large enterprise developed on the basis of Qingdao Refrigerator General Factory established by introducing the production technology of German Liebherr refrigerator in 1984.From the development of collective enterprises, Haier has been using the Internet of things, artificial intelligence and big data to create an ecological brand of the Internet of things for smart families. Haier has been implementing the basic concept of open innovation, accelerating product innovation and upgrading, always adhering to the development concept of "people's value first", and is committed to achieving a win-win situation.

2.2 Analysis of short-term liquidity

Table 1 Main Indicators of Haier Group's short term solvency in 2015-2019 (data source: NetEase Finance and Economics)

	2015	2016	2017	2018	2019
Current ratio	1.38	0.95	1.15	1.18	1.05
Quick ratio	1.16	0.74	0.87	0.9	0.76
Cash ratio	62.12	32	45.75	46.77	37.84
Asset liability ratio	57.34	71.37	69.13	66.93	65.33
Equity ratio	123.7	236.78	198.78	173.45	167.54

As can be seen from table 1, the change range and trend of current ratio and quick ratio of Haier Group in recent five years are roughly the same. From 2015 to 2016, it showed a downward trend, and the decline range was large. From 2016 to 2018, it showed a slow upward trend, and from 2018 to 2019, it showed a downward trend, with a small downward range.

Current ratio is the ratio of current assets to current liabilities, which indicates the ability of current assets to be converted into monetary funds to repay current liabilities before the maturity of short-term debts.Therefore, the higher the current ratio is, the stronger the short-term solvency of the enterprise is. Generally speaking, it is more reasonable for an enterprise to have a current ratio of more than 2, but different industries have different standards. According to the survey, the current ratio of the household appliance industry is about 1.5, while the current ratio of Haier Group has been less than 1.5 in the past five years, and even in 2015-2016, the current ratio of Haier Group dropped rapidly to less than 1, at this time, Haier's current assets have been unable to repay the current liabilities of the enterprise, which shows that Haier Group's short-term solvency is weak.

Quick ratio is the ratio of quick assets to current liabilities, which indicates the ability of an enterprise's current assets to be realized immediately to repay liabilities.Therefore, the index is more scientific and objective than the current ratio to measure the short-term solvency of an enterprise. Generally speaking, when the quick ratio of an enterprise is greater than 1, the enterprise can realize the quick assets to repay the current liabilities.It can be seen from the table that the quick ratio of Haier Group in recent five years is greater than 1 only in 2015, and less than 1 in other years, which indicates that Haier Group is indeed lack of short-term solvency. In the same industry competition, this ability needs to be further strengthened to prevent financial crisis caused by capital turnover difficulties.

Cash ratio refers to the ratio of cash assets to current liabilities of an enterprise. Compared with current ratio and quick ratio, cash ratio is more directly used to reflect the ability of an enterprise to repay current liabilities. Generally speaking, when the cash ratio of an enterprise is greater than 0.2, the repayment of short-term debt of the enterprise is sufficient. It can be seen from the table that the cash ratio of Haier Group in 2015-2016 is far greater than 0.2,It is easy to deal with short-term debt, but the high cash ratio also exposes the shortcomings of Haier Group's low cash utilization efficiency, and does not make full use of its funds to obtain benefits.

2.3 Long term solvency analysis

The asset liability ratio is the ratio of total liabilities to total assets of an enterprise. Generally speaking, the asset liability ratio of the household appliance industry is between 0.3 and 0.7. The asset liability ratio of Haier Group in recent five years is 55% - 75%. In 2016, due to Haier Group's acquisition of general household appliances, the asset liability ratio rose rapidly and reached the maximum value. Although the asset liability ratio decreased slowly after 2016, it was also around 70%, and its long-term solvency was gradually strengthened, but there are still some financial risks. It can be seen that the long-term solvency of Haier Group is still in a weak position in the industry competition.

Equity ratio is the proportion of total liabilities in shareholders' equity, which reflects the degree of protection of shareholders' equity to creditors' rights.High equity ratio means high financial risk of the enterprise. The equity ratio of Haier Group is greater than 1, which indicates that its solvency is relatively weak. Moreover, due to the expansion of investment of Haier Group in 2016, the equity ratio rose rapidly to 236.78%, at this time, the financial risk of Haier Group is very high.

3. Analysis on the influencing factors of Haier Group's solvency

3.1 Enterprise operation capacity

Table 2 operating capacity index of Haier Group from 2015 to 2019
(data source: NetEase Finance and Economics)

	2015	2016	2017	2018	2019
Turnover rate of accounts receivable (Times)	15.69	12.95	12.9	16.02	18.72
Turnover days of accounts receivable (days)	22.94	27.8	27.91	22.47	19.23
Inventory turnover rate (Times)	8.02	6.9	5.98	5.93	5.57
Inventory turnover days (days)	44.87	52.16	60.18	60.69	64.66
Turnover rate of current assets (Times)	1.57	1.91	2.02	2.01	2.06
Turnover days of current assets (days)	229.33	188.04	178.41	179.29	174.66

It can be seen from the table that in 2016 and 2017, the turnover rate of accounts receivable of Haier group decreased, and the turnover days increased, indicating that the recovery rate of enterprise accounts receivable was slowing down, but Haier Group began to improve in 2018, indicating that the enterprise began to pay attention to the management of accounts receivable, the operation ability of the enterprise began to improve, and the short-term debt paying ability of the enterprise was enhanced.

From 2015 to 2019, the inventory turnover rate of Haier group decreased by 2.45 times, and the inventory turnover days increased by 19.79 days. During this period, the management efficiency of the enterprise's inventory declined seriously, and the overstock of inventory was serious, which led to the weakening of the enterprise's solvency.

From 2015 to 2019, the turnover days of Haier Group's current assets have been declining, and the management effect of current assets is good, which has enhanced the operation ability of the enterprise, indicating that the enterprise has strong profitability.

3.2 Debt structure

Haier Group's liabilities are mainly debt payable and notes payable, followed by long-term loans. Due to the acquisition of general electric appliances in 2016, Haier Group's long-term debt ratio increased. Although the proportion of long-term loans decreased in 2016-2019, it still accounted for a high proportion. However, the capital cost of short-term loans and long-term loans of enterprises is relatively high, so enterprises have greater pressure to repay.From the balance sheet of Haier Group, we can see that its financing mode is mainly borrowing. This single financing method will bring great risks to enterprises. Once the capital market changes, the capital chain of Haier Group will be strained, which will affect the normal operation of enterprises, weaken the competitiveness of enterprises in the industry, and bring losses to enterprises.

3.3 Macro policy

The relevant policies of the home appliance industry are not like the previous "home appliances to the countryside" and "energy-saving subsidies" to stimulate the market, but focus on promoting the industry to lead the industry to green and efficient product policies and market standardization. Therefore, for the home appliance industry, rapid adaptation to policy changes has become an important force in its development.

4. The conclusion and suggestion of Haier Group's solvency

Based on the relevant financial data provided by the financial statements of Vanke enterprises in recent five years, this paper analyzes the long-term and short-term solvency of Vanke enterprises, and draws conclusions and suggestions as follows:

4.1 Analysis and suggestions on Haier Group's short term solvency

Through the data analysis and Solvency Index Analysis of Haier Group in recent five years, Haier Group has more liabilities, mainly accounts payable.Debt payable is the future cash outflow of Haier Group and the actual debt of Haier Group. Through the analysis of these five years, except for certain fluctuations caused by Haier Group's acquisition of general appliances in 2016, the current ratio, quick ratio and cash ratio of Haier Group are relatively stable, especially the cash ratio directly affecting Haier's debt repayment exceeds the standard value, to provide a strong guarantee for Haier's short-term solvency, the pressure on Haier Group to repay its short-term debt is obviously small.

For Haier Group to strengthen its short-term solvency recommendations to enhance the operating capacity of enterprise assets.The operation status of an enterprise will directly affect its short-term solvency. If the operating capacity of an enterprise's assets is very low, the assets of the enterprise can not play its due role, and it is difficult to create sufficient profits and cash flow to repay the short-term debt. The decline of its short-term debt repayment ability will further weaken the enterprise's operating ability and form a vicious circle.

4.2 Analysis and suggestions on long term solvency of Haier Group

The asset liability ratio of Haier Group is slightly higher. Although it fully plays the role of financial leverage, it also increases the financial risk of the enterprise. On the other hand, Haier Group's acquisition of general appliances has led to significant changes in some indicators, which has a negative impact on creditors, which will increase the financial cost of the enterprise and cause financial pressure on the enterprise, Through the data analysis of Haier Group in recent five years, it can be found that the indicators reflecting Haier Group's long-term solvency deviate from the normal value. In addition, the industry competition intensifies and the policy changes, the long-term solvency of Haier Group is not optimistic.

There are two suggestions to strengthen Haier Group's long-term repayment ability

1. Optimize the capital structure.There are many ways of financing for enterprises. Different financing methods have different effects on the capital structure, financial risk and capital cost of enterprises. Through analysis, we know that Haier Group has a high debt ratio and a single financing method, which results in certain financial risks. Therefore, Haier Group should broaden financing channels, increase financing diversity and reduce financing costs and risks.

2. Actively adapt to policy changes.The development of enterprises depends on innovation and policies. In the era of rapid development of science and technology, although Haier Group has always been pursuing innovation as an enterprise, technological breakthroughs have become commonplace in the 21st century.But the change of policy is beyond the control of enterprises. Instead of passively accepting, it is better to actively adapt to the changes of policies and have confidence in the development of enterprises, so as to achieve sustainable and healthy development.

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