

# *On the Causes and Control Measures of Financial Management Risk in State-Owned Enterprises*

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**Abstract:** under the background of fierce market competition, the low financial operation efficiency and risk control ability of state-owned enterprises are not conducive to the survival and growth of state-owned enterprises. This paper attempts to start from the problems of financial management of state-owned enterprises, analyze the reasons for the generally high risk of financial management of state-owned enterprises, and put forward targeted prevention and control measures, in order to lay a theoretical foundation for the financial reform and development of state-owned enterprises, promote the transformation process of financial management of state-owned enterprises, improve the efficiency of financial management of state-owned enterprises, maintain the economic status of state-owned enterprises and promote China's economic development.

## 1. Introduction

For enterprises, capital determines the operation and development of enterprises to a certain extent. No matter what kind of development process any enterprise is in, capital flow is very important. Enterprise activities can be roughly divided into four categories, namely operation, investment, financing and distribution. All these four types of activities are closely related to funds: in enterprise business activities, the lack of funds will lead to the rupture of enterprise capital chain, and the enterprise can not continue to produce products, and then can not carry out normal production and operation; In the enterprise investment activities, due to the limited funds of the enterprise, the enterprise cannot invest in all profitable projects. It should comprehensively compare various projects and invest in the projects with the largest profits according to the capital restrictions; Once an enterprise lacks funds, it must carry out internal or external financing, and the specific amount of financing depends on the difference between the existing funds and the required funds; After a series of economic activities, the enterprise has formed profits. It is necessary to repay the enterprise's liabilities and distribute the profits of investors. The specific distribution depends on the surplus of the enterprise's existing funds compared with the enterprise's future development plan. It can be said that capital is the lifeblood of enterprises.

In essence, financial management is the process of controlling the funds of an enterprise. Financial management can monitor the capital flow direction of enterprises, analyze the capital operation status of enterprises, speed up the capital flow and improve the efficiency of capital use.

Various information of financial management can provide a reliable basis for various business decisions of enterprises. Good financial management can perceive the problems existing in enterprise operation activities in advance and take effective measures in advance, so as to achieve reasonable control, avoid potential enterprise risks and lay the foundation for the healthy and sustainable development of the enterprise.

As a state-owned and controlled enterprise, state-owned enterprises are not only national assets, but also the pillar of socialism with Chinese characteristics. Their healthy operation is related to national development. Therefore, for state-owned enterprises, we should pay more attention to financial management, deeply understand the important role of financial management, and effectively use financial management to avoid operational risks.

## **2. Specific Reasons for the Risks Faced by the Financial Management of State-Owned Enterprises**

### **(1) Personnel lack awareness of financial risk control**

At the beginning of the founding of new China, China implemented a planned economic system, and social production and life were strictly controlled by the state. The state has put forward a clear plan for national production and social development, and the people carry out production and resource distribution according to the plan. The “more work and less work” leads to insufficient driving force for national economic development and slow national economic growth. After China entered the era of market economy, it liberated and developed the productive forces. However, as a national asset, although state-owned enterprises have certain management autonomy and have improved compared with the era of planned economy, they are essentially to assist the government to better promote the harmonious and stable development of society. The behavior of state-owned enterprises depends on the will of the government, and pay less attention to the profitability of state-owned enterprises themselves.

The funds of state-owned enterprises mainly come from government grants. Even if the operation and investment of state-owned enterprises fail, some governments “reveal the bottom” for them, resulting in the lack of rigorous consideration on the operation and investment of managers in some state-owned enterprises. There are relatively few studies on projects, or some infrastructure construction that can not bring profit returns to enterprises but create high social benefits, which is difficult to attract private enterprises, Construction can only be carried out by state-owned enterprises, resulting in less project profits in state-owned enterprises, thus forming capital outflow of state-owned enterprises. In addition, the wages of staff in state-owned enterprises are relatively fixed. People even have an “iron rice bowl” for the posts in state-owned enterprises, and the staff have no sense of market competition crisis. And the performance evaluation standard is relatively loose. The staff only care about their superficial work, and will not actively explore the internal risks of the enterprise, so the financial risk is high.

### **(2) Unclear financial management subject and responsibility system**

With the rapid development of economy, the competition among enterprises is becoming more and more intense. In any kind of enterprise behavior, there should be a clear enterprise subject and responsible party. Once there is a problem, there will be a clear division of responsibilities, so that all personnel have a sense of crisis, so as to improve the work quality of personnel. However, for state-owned enterprises, the government is the largest investor of state-owned enterprises, and state-owned enterprises are owned by the state. Its subject nature and responsibility are not clear, which also directly leads to the fuzziness of the subject and power and responsibility system of financial management of state-owned enterprises, the accountability system has not been well implemented, and intensifies the risk of financial management.

(3)The financial management system needs to be improved

The financial management system provides the direction of efforts and review standards for enterprise financial management. A perfect financial management system is the premise and foundation of enterprise financial management. Without a good financial management system, the practice of enterprise financial management is also a water without source and a tree without roots. In today's era of rapid innovation, the old financial management system of state-owned enterprises greatly lags behind the development of enterprise financial management and can not meet the needs of financial management of state-owned enterprises. Due to the lack of institutional constraints and guidance, the financial management of state-owned enterprises is lack of standardization and institution, and the lack of evaluation standards also makes the financial work lack of incentive and incentive.

Due to the lack of system, the awareness of financial management risk prevention of state-owned enterprises is relatively weak, the randomness of financial management is strong, and the prevention and control of financial risk is tangible. Moreover, the state-owned enterprises themselves are greatly affected by the traditional management mode, and its system setting and implementation are relatively difficult to carry out.

(4)There are objective risks in the external environment

Any enterprise will be affected by the external environment, which can be divided into two levels: macro environment and micro environment. The macro environment includes political environment, economic environment, social environment and natural environment. The micro environment includes the industry, market demand and competitive environment, involving a wide range of subjects. The changes of external factors are difficult to predict and are not subject to the subjective control of enterprises, and the impact nature and degree of the same external factor on different industries are also different.

In the environment of market economy system, the external situation changes rapidly, which may have an unpredictable and great impact on the operation of all enterprises in the market, and then affect the financial situation of enterprises, making the financial risk of enterprises remain high.

### **3. Control Measures of Financial Management Risk of State-Owned Enterprises**

(1)Improve the comprehensive quality of personnel

The personnel of state-owned enterprises should change the concept of financial management and establish the awareness of risk prevention and control. The management personnel shall fully understand the necessity of the enterprise to carry out financial management risk control, support the financial personnel to carry out financial management risk control, continuously establish and improve the risk control mechanism and the performance evaluation standard of financial personnel risk control according to the actual situation of their own enterprise and in combination with the development and changes of the external environment, and make rational use of rewards and punishments, Encourage employees to actively control financial risks.

Financial personnel should constantly enhance their sense of responsibility, establish financial risk prevention norms, truthfully reflect the enterprise's financial data according to the actual operation of the enterprise, and predict the future development of the enterprise in combination with the enterprise's historical data, so as to provide a solid and reliable basis for managers' business decisions. As the core and key factor of financial management risk control, financial personnel should constantly improve their financial literacy. Financial personnel should actively participate in enterprise training, actively strengthen the study of new accounting standards, new systems and relevant laws and regulations, constantly update and enrich their financial knowledge, improve their business ability, keep up with the development of the times and meet the needs of enterprise

financial work.

The personnel of related departments shall support the work of financial personnel, actively provide real operation data, actively put forward financial risk prevention suggestions, pay attention to various financial data, strictly control the flow of funds and establish corresponding risk prevention system.

(2) Clarify the subject and responsibility system of financial management of state-owned enterprises

The unclear subject and responsibility system of financial management of state-owned enterprises have greatly increased the risk of enterprise financial management and hindered the sound development of state-owned enterprises. Relevant managers and financial departments must pay great attention to it. The premise of reasonably dividing the subject and responsibility system of financial management of state-owned enterprises is to solve the problem of unclear nature of the subject of state-owned enterprises. The government should clarify the relevant rights of state-owned enterprises, divide the specific subjects of responsibility, and fundamentally avoid the phenomenon of buck passing. Secondly, financial managers should also divide and define the scope of enterprise assets, strengthen the recovery of funds, speed up the circulation of funds, reduce the debt pressure of state-owned enterprises and inject fresh vitality into state-owned enterprises.

(3) Establish and improve financial management system

Establishing and improving the financial management system is the premise and foundation for enterprises to prevent and control financial risks. The effective prevention of an enterprise's financial risk is inseparable from a perfect financial management system.

First, improve the hierarchical structure of financial management to ensure the authenticity and reliability of financial data. The effectiveness and reliability of financial data are the basis of financial work, the foundation of financial risk control, and also greatly affect the reputation of enterprises, which should be paid attention to. Establish a top-down financial approval and supervision mechanism within the enterprise, reduce the probability of financial errors, encourage all employees to participate in the enterprise's financial risk control actions, strengthen the financial inspection and improve the supervision system.

Secondly, improve the financial risk control mechanism. Closely following the social development, based on the actual situation of the enterprise and based on the latest scientific financial management and risk control theory, the general outline of financial risk control system that can meet the development needs of departments at all levels is established, strictly implemented, continuously developed and improved.

Finally, establish diversified financial risk control systems for various departments. Due to the differences of related departments, it is impossible to establish a unified specific financial control standard. Various factors should be comprehensively considered. On the premise of not violating the general outline of financial risk prevention and control, a diversified and flexible financial risk control system of each department should be established to control the financial risk of the enterprise as a whole and minimize the financial risk of the enterprise.

(4) Pay close attention to the development of external environment

The impact of the external environment on enterprises can not be underestimated, but due to the complexity of the external environment, enterprises can not control and accurately predict it. Enterprises should pay close attention to the change trend of the external environment, comply with the changes of the situation, timely reflect and effectively adjust the external environment, and reduce the financial risks and losses caused by the external environment as much as possible.

## 4. Conclusion

To sum up, the emergence of financial risks of state-owned enterprises is related to a variety of factors, but it is not completely unpredictable and uncontrollable. Effective financial management risk prevention and control measures are conducive to the stable and healthy development of enterprises. State owned enterprises have a long way to go for the task of preventing and controlling financial management risks, but it is an unavoidable problem. In today's era of fierce enterprise competition, state-owned enterprises must continuously improve their own financial management, start with financial risk control, reduce the risk index of various businesses, broaden the market, maximize the interests of enterprises and realize the long-term development of state-owned enterprises. Only in this way can we promote the improvement of social and economic efficiency, protect people's life, play a positive role in promoting China's economy, stabilize the leading position of state-owned enterprises in the national economy, and make due contributions to the cause of socialism with Chinese characteristics.

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