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Analysis of the influencing factors of financing lease interest rates for enterprises in Beijing

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Abstract: Financial leasing provides enterprises with multi-channel and diversified funding sources. This article manually collected financing lease data from 2007 to 2019 on the annual reports of listed companies, with other financial data from the CS Mar database. Finally, the influencing factors of financing costs of listed companies are analyzed through regression analysis. As the profit level increases and the debt level decreases, the leasing rate will decrease. We provide suggestions for financing leasing companies and listed companies.

1. Introduction

The financial leasing industry in Beijing has developed rapidly in recent years. Financial leasing provides enterprises with multiple and diversified sources of funds, promoting their development, and has become an important financing channel for enterprises in Beijing. This financing method has four advantages: firstly, the financing method is relatively flexible. Secondly, it has a longer financing term. Thirdly, multiple repayment methods can be adopted. The fourth is that value-added tax on direct leasing business can be offset against output tax. Therefore, for the domestic economic market, financial leasing business has broad development prospects, and with the rapid development of the domestic economy and the increasing demand of related industries, financial leasing business has achieved rapid growth. [1]The state affects the level of market financing rates by lowering benchmark interest rates or providing low interest loans, thereby reducing the financing costs of enterprises. To reduce the financing costs of enterprises, it is necessary to identify what factors affect the financing costs. The essence of financial leasing is a way to provide financing funds to enterprises, so in this financing method, the financing cost is the lease interest rate. So analyzing the influencing factors of financing lease interest rates is of great significance. Enterprises can flexibly use financing lease rates to reduce financing costs and achieve better development.

2. Institutional background

With the rapid development of China's economy, financial leasing business has gradually emerged in Beijing. In recent years, the scale of Beijing's financial leasing market has grown rapidly, with an average annual growth rate of more than 20%. The financial leasing business field is diversified, financial leasing companies have both direct leasing business and subleasing business, and involve financing, mergers and acquisitions, asset management and other financial services. The financial leasing industry continues to innovate, new financial leasing business models such as online financial leasing and asset securitization have been developed to meet the financing needs of some small, medium-sized and micro enterprises and upstream and downstream enterprises in the supply chain. At the same time, Beijing's financial leasing industry has huge development potential. As an important part of the national financial center, Beijing's financial leasing industry has great advantages in many aspects such as policy support, market demand and technological innovation.

3. Theory

In theory, the larger the enterprise size, the lower the financing lease interest rate should be. The reason is that larger enterprises often have stronger strength and good operating conditions, so the likelihood of default is lower. The stronger the profitability of a company, the lower the financing lease interest rate should be. The faster the cash flow rate, the stronger the ability to repay debts, and the lower the likelihood of default. The higher the debt level, the higher the financing lease interest rate. The solvency of a company is negatively correlated with its debt level, and higher debt levels are also more likely to cause default. The financing lease company will increase the financing lease interest rate to help the enterprise retreat from difficulties, thereby reducing the bad debt rate and reducing losses. If the enterprise is a state-owned enterprise, its operating and financial conditions are relatively good. The capital turnover space is also great. The possibility of default and risk are low.

4. Empirical Studies

4.1. Data Sources

Financial leasing data comes from manual collection of annual reports of listed companies, while other financial data comes from the CSMAR database. The data age is from 2007 to 2019.

4.2. Variable Selection and Description

Table 1: Variable Definition.

Variable	Notation	Meaning
Asset growth rate	lna_last	ln (asset size)
ROA	roa1_last	Net profit/average total assets
Leverage	leverage_last	Total liabilities/total assets
Subvariable	shareholder	If the enterprise is a state-owned enterprise, the value is one, otherwise the value is zero.
constant	_cons	Constant term

The definitions and notation of the variables in this paper are described in Table 1. Table 2 shows the regression results. The first explanatory variable is lna_ Last represents the logarithm of the total asset size of a company. The second explanatory variable roa1_ Last represents ROA. The third explanatory variable level_ Last represents total liabilities divided by total assets. The fourth explanatory variable, shareholder, is a sub variable. If the enterprise is a state-owned enterprise, the value is one, otherwise the value is zero. The last explanatory variable_ Cons is the abbreviation for constant, which is a constant term.

Adjustedrate= α_0+$\alpha_1 lna\_last + \alpha_2\ roa1\_last + \alpha_3$ leverage_last $+\ \alpha_4$ shareholder+e_0

where α_0 is the constant andα_1 to $\alpha_4$are the coefficients of the explanatory variables.

4.3. Regression Results and Analysis

Table 2: Regression Results

	coef	t	p>|t|
Year fixed effects not controlled			
lna_last	0.8944209	1.04	0.310
roa1_last	97.80657	4.08	0.001
leverage_last	-9.551813	-2.64	0.016
shareholder	0.8183321	0.42	0.687
Year fixed effects controlled			
lna_last	0.8186032	0.85	0.413
roa1_last	115.3414	4.35	0.001
leverage_last	-15.89476	-5.21	0.000
shareholder	1.186356	0.66	0.519
year			
2012	-1.723866	-0.69	0.501
2013	-1.64031	-0.72	0.483
2014	-9.190917	-2.34	0.037
2015	-5.641814	-1.53	0.151
2016	-3.809376	-1.25	0.234
2017	0.2370663	0.07	0.945
2018	-7.887032	-2.13	0.055
2019	-0.6051856	-0.18	0.860

Analysis: Among the explanatory variables, two variables are significant. They are ROA and Leverage

ROA: The coefficient is significantly positive at the 1% level, indicating that the higher the ROA, the higher its rental interest rate. That is to say, the stronger the profitability, the higher the rental interest rate.

Leverage: From the perspective of liabilities, the coefficient of Level is significantly negative at the 5% level, indicating a significant negative correlation between liabilities and lease rates. The financing lease interest rate decreases with the increase of debt level.

5. Conclusion

This article analyzes the influencing factors of financing lease interest rates of listed companies in Beijing. It finds that the cost of corporate financing leasing is positively correlated with the level of profit, and negatively correlated with the level of debt. This result is different from our common sense, as we usually believe that the higher the profit level, the more helpful it should be to reduce financing costs. This indicates that the pricing level of financial leasing enterprises in Beijing for lessees may not be very mature and needs to be improved. In order to reduce the financing costs of enterprises in the future, financial leasing companies should further enhance their professional operating capabilities and achieve precise pricing. Financial leasing companies can examine factors such as the feasibility of investment projects, market prospects, and the credit rating of tenants. [2]Financial leasing companies also need to enhance the operational concept of financing leasing services for enterprises, provide conditions for enterprise financing, increase the diversified demand for financing leasing products, and create an environment for carrying out financing leasing. [3]In order to further reduce the leasing costs of enterprises, they can choose methods such as expanding scale, increasing

ROA, optimizing capital structure, and reducing debt levels.

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