

Analysis of the Development of Pension Finance under the Aging State in China

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Abstract: Population aging is a hot issue in today's world. As one of the countries with the fastest aging development in the world, China is facing enormous social aging pressure. The deepening of the aging process affects China's development, especially its economic development. Through the study of China's pension finance system, this paper puts forward effective suggestions on the development of pension finance, and analyzes pension finance, pension service finance and pension industry finance by literature analysis, data analysis and interdisciplinary research methods. First, the concept of pension finance and savings investment under aging state are summarized. Then the status quo of pension finance in three aspects is described, followed by the analysis of the problems existing between the three aspects of pension finance in China. Finally, the three aspects of targeted solutions are proposed and summarized, and the development of pension finance is prospected.

1. Introduction

In recent years, the family planning policy implemented to control the rapid population growth in the late 20th century has highlighted China's aging problem. China's economic strength is not strong enough, and problems such as the decline of population dividends and labor shortages have brought difficulties to solving the aging problem. According to the data released by the National Bureau of Statistics on January 17, 2020, by the end of 2019, the total population of Chinese Mainland had exceeded 1.4 billion, and the population aged 65 and above accounted for 12.6%, which further confirmed the trend of China's aging. The problem of aging in China is becoming increasingly serious, and related issues such as pension finance urgently need to be solved. It requires joint efforts from all parties to propose opinions and suggestions, and based on this, to look forward to and develop China's pension finance industry.

2. Overview of pension finance under aging trend

2.1 Concept of Pension Finance

Pension finance can be called a new interdisciplinary subject, which integrates traditional pension problems and financial problems, including pension finance, the pension industry finance

and pension service finance. The three complement each other and have common importance. Pension finance has begun to become an important measure to solve the aging population in China, as well as an important measure to promote China's economic development and improve the pension problem.

2.2 Effects of Aging on Savings and Investment

China has introduced policies at the political level to provide impetus for the development of pension finance, and attaches great importance to the development of pension finance. Currently, China has provided strong policy support on issues related to pension finance. Currently, China is facing a serious problem of aging population, which has a significant impact on the savings and investment of Chinese residents, as well as on the issue of pension finance.

2.2.1 Impact on Savings

Deaton^[1] found that the elderly still save, which has a mitigating effect on the decline of savings rate. The reason for this saving behavior is that China's pension financial system is not perfect, most of them do not understand the pension mechanism and preventive saving.

2.2.2 Impact on Investment

Based on neoclassical economic growth theory, population aging will bring about a decrease in domestic investment demand. Masson^[2] research shows that population aging reduces disposable income, and the state's fiscal expenditure for such groups increases, increasing real interest rates and reducing capital stocks.

3. Current Development Status of Pension Finance

3.1 Pension finance status quo

At present, China's pension system has basically established three pillars, including the national basic pension insurance system, the enterprise annuity system and personal savings. The first pillar is the basic old-age insurance system; the second pillar is the enterprise pension system; and the third pillar includes commercial old-age insurance. The continuous growth of various data reflects that China's pension finance is in a period of rapid development, which essentially provides a strong backing for the pension system to cope with the peak of aging.

3.2 Financial status of pension services

With the introduction of various relevant policies and the joint efforts of various financial industries, elderly care service finance has begun to take shape, and it will usher in rapid new development. The banking industry has developed some corporate institutions targeting the elderly, those with enterprise pension systems, and the general public; Pension trusts, pension funds, and other methods can also help citizens increase their pension reserves. In order to provide a higher level of elderly living security for the elderly after retirement, the source of pension funds can also be converted into pension funds through financialization, such as reverse mortgage loans for housing.

3.3 Financial Status of the Pension Industry

3.3.1 Support from various departments to clarify development direction

The finance of the elderly care industry can be summarized as a financial activity that provides financing support for the development of elderly care related industries. Its foundation is to meet the various needs of the development of the elderly care industry and the diversified elderly care needs brought about by the deepening degree of aging. Due to the increasingly serious aging problem in China and the deepening social attention to the demand for elderly care, the demand for the elderly care industry is constantly increasing. It is necessary to vigorously develop the elderly care industry finance to better support the development of elderly care finance. Firstly, lower the entry threshold for foreign investment and stimulate the investment vitality of social capital; Secondly, the country has introduced financial policies related to the elderly care industry, supporting and guiding the healthy development of the elderly care industry financial market through policies, clarifying the direction of financial development in the elderly care industry, and ensuring the stable and high-speed operation of the elderly care industry.

3.3.2 Moving towards a path of large-scale development

2013 is the first year of the pension industry, which is called the first year. Up to now, after 10 years, China's pension industry has gradually matured from the embryonic stage. With the support of policies and the gradual deepening of social attention to pension, the scale of pension industry continues to expand, high-quality enterprises and institutions continue to increase, and social funds pour in to support the development of pension industry. With the development of society, the consumption ability of residents has been improved, the deepening of the aging process has further released the consumption ability, and the profit ability of the pension industry has been highlighted, which makes the pension industry finance move towards a large-scale form in line with the development of the times. China is gradually moving towards the large-scale development road of the pension industry.

4. Analysis of the Problems in the Development of Pension Finance

4.1 Analysis of the Problems of Pension Finance

4.1.1 The structural system is not perfect

At present, the construction of the three pillars of China's pension system is not perfect. Due to its early establishment, the first pillar is positioned as a national pension insurance system, occupying an absolute leading position in the coverage rate of insured personnel and the scale of funds. However, compared with the first pillar, the second and third pillars are still in the primary stage of development and the development level is unbalanced. As the second pillar, the enterprise annuity system has a low coverage rate of insured personnel, few enterprises participate in it, and weak support for the endowment insurance system. The third pillar has a slow development speed and a small scale due to the limited awareness and low recognition of the masses. On the whole, the scale to be upgraded is huge, the positive effect on pension is very small, and the supporting effect on pension finance development is weak.

4.1.2 Incomplete funds

The way and concept of providing for the aged in China are relatively traditional. The scale of

individual fund reserve specially used for providing for the aged is small, and quite a large number of groups adopt the family pension mode. Blood relationship is the fundamental link for the implementation of the family pension model. Most of the pension funds come from pension and children's salary savings. Due to the need to raise and educate children and family daily expenses, most families find it difficult to accumulate a large amount of funds for their own pension before the age of 40. Most of them only start to accumulate funds for pension after the age of 40. The accumulated funds have a short period of time, but the aging problem is getting more and more serious, resulting in a shortage of pension funds. As a result, the pension reserve fund is relatively small. There is a lag problem in the investment management of pension funds. Most of the accumulated funds are deposited in banks, and few people will invest in assets, which makes it difficult for assets to increase in value. Due to the very cautious way of thinking in investment, the return of pension funds is low, which has an adverse impact on the development of pension financial market.

4.2 Analysis of the Problems of Pension Service Finance

4.2.1 Lack of awareness of pension and innovation

The awareness of national pension financial reserves is insufficient. Although China's total savings currently rank first in the world, most people's savings is not for the old-age care. A large amount of savings are applied to the maintenance expenses of their children in the first half of their lives, medical expenses, education expenses and family daily expenses. Because of these reasons, the saved funds are hardly used in the field of pension, people have insufficient awareness of pensions, do not know about some pension financial products that can increase value, and are unwilling to choose these pension financial products.

4.2.2 Inadequate regulatory mechanisms

The aging population in China is a serious problem, and the government needs to provide policy support in elderly care service finance. However, the current speed of solving the problem is becoming slow. Policies have only been introduced in the elderly care insurance and elderly care service industries, and the country has not specifically introduced laws and regulations for elderly care service finance. There is no clear jurisdictional boundary and no specific management system in the field of elderly care service finance. The lack of a clear legal system has brought opportunities to some illegal financial institutions in society.

4.3 Analysis of the Financial Problems of the Pension Industry

4.3.1 Lack of policy and capital support

There is a lack of detailed policy guidelines, and there is no clear division of tax policies and national support for loans in the elderly care industry, which affects the investment and development of elderly care industry projects. At present, most of the elderly care industry in society is developed under the leadership of the government or state-owned enterprises. Private enterprises and social capital have limited funds to enter the elderly care industry, resulting in weak support for the improvement of the industry and subsequent work. Good policies on the finance of the elderly care industry have not been properly implemented in the elderly care industry institutions, and the market competition is not fierce enough to form good competitive environment, which is not conducive to the reasonable competitive development of the elderly care industry.

4.3.2 Financial risk exists

Capital needs to transform from the financial industry to the real economy, and the implementation of the materialization of the elderly care industry is the true integration of the financial industry and the elderly care industry. The operating institutions of the elderly care industry have low profits, and financial institutions providing funds to them will face risks. The low profitability also makes it difficult for social capital returns and market exit, and there is a concern about funding risks. Most capital supply and financing methods exist in the short term, and the short-term profits obtained do not align with the goal of long-term development of the elderly care industry, which may exacerbate financial risks. The shortage of medium - and long-term investors in the elderly care industry has led to financing difficulties and financial risks at the current stage. Financial risks will seriously affect the development of China's elderly care economy, thereby suppressing the development of the national economy.

5. Suggestions for the Development of Pension Finance under the Aging State

5.1 Pension Finance Development Recommendations

At present, pension fund investment in China tends to be short-term, which has a negative impact on asset appreciation and preservation. We should reform and innovate pension financial products, expand investment scope, allocate capital resources reasonably, carry out investment portfolio in order to disperse risks brought by investment, and realize asset appreciation and preservation to the maximum extent under the premise of ensuring the safety of funds, so as to obtain long-term profits. Reasonable play to the role of market resource allocation, a good financial market environment can ensure that pension funds have a good use, the state should strengthen the management of the pension fund market, create a healthy environment for pension funds in the operation of pension finance, realize effective operation and obtain benefits from it.

5.2 Suggestions for the development of elderly care service finance

At present, Chinese public pension consciousness is insufficient, and the traditional concept makes the development of pension finance lag behind. Improving public pension consciousness is the only way to develop pension service finance. First of all, we should improve the pension system, realize the pension system guaranteed by the first pillar and supplemented by the second and third pillars, guarantee the income level of the elderly group, improve the quality of life of the elderly, and then promote the consumption and development of the pension service industry, so as to provide a strong institutional guarantee for the elderly. In order to innovate financial products and increase the audience, we should fully tap the potential demand in the market according to the different needs of the elderly groups, formulate targeted financial products, and meet the diversified demand for pension service products in the market. In addition to the traditional pension financing business, we should pay attention to medium-and long-term investment. In the pension market, medium-and long-term investment benefits are safer and more stable. China should pay attention to innovation awareness, adapt to the development needs of the market and the elderly, promote the steady and rapid development of funds, and make the pension service industry develop in a healthy and rapid direction.

5.3 Suggestions for Financial Development of the Pension Industry

China should continue to deepen the policy based on the present stage, and further make the

development direction of the pension industry reasonable and scientific, which is the premise for the long-term development of the pension industry. To strengthen policy financial support, the government reasonably uses MLF, reloan, and other monetary policy tools, formulates some policies beneficial to financial institutions, and stimulates financial institutions to increase investment in the pension industry. It is also necessary to actively guide more idle social capital into the pension industry market, lower the threshold for social funds and foreign capital to enter the market, expand the sources of funds, and let more enterprises be interested in and invest in the pension industry.

6. Conclusion

As a country with a large population, China is one of the countries with the fastest aging process in the world. Based on this situation, the problems caused by population aging are becoming more and more serious, and the demographic dividend is decreasing day by day. How to solve this problem quickly and well has become an important goal of China at this stage.

From the perspective of pension finance, we should speed up the establishment of a perfect endowment insurance system, balance the development of the first, second and third pillars, realize the value-added insurance of endowment insurance in the first pillar, expand the coverage of enterprise annuity in the second pillar, and optimize the purchase of commercial endowment insurance in the third pillar.

From the policy point of view, better develop pension finance and increase the stock of pensions. The government also needs to give support and protection in policy to ensure that the pension financial operation environment is healthy and good.

In a word, facing the deepening trend of aging, China's old-age security system should adjust its structure reasonably, innovate the old-age service finance, provide diversified the old-age products, encourage a large amount of social capital to enter the market, jointly develop the construction of the old-age industry, and create a good old-age financial market and financing environment. Through these measures, China's pension finance will develop in a sound and rapid direction, alleviate the pressure brought about by China's aging at this stage, promote economic and social development, and enhance the sustainable development capacity of the social economy.

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