A Review of Research on the Corporate Governance Effects of Financing and Securities Financing Systems

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Abstract. In today's complex and diverse environment, the financing and securities system has a unique effect on corporate governance. This paper will take a look at the financing and securities system, and examine whether corporate governance is greatly affected by financing and bonding and whether the financing and securities system can bring optimal decision-making to enterprises. Its effect on the enterprises is irreplaceable, as well as analyzing the relationship between various corporate governance and financing and securities from multiple perspectives. For example, analysts, major media, impact of investor sentiment, etc. on corporate governance. In this paper, the role of financing and financing on the company's performance, this is mainly due to the fact that CSR (corporate social responsibility) has a greater impact on investors, financing facilities influence corporate governance of firms by affecting CSR. So the study of the financing and securities system is of profound significance to corporate governance and related policy formulation.

Keywords: Financing and securities system; corporate governance; corporate social responsibility

1. Introduction

In the financing and securities trading system, investors are said to provide collateral to securities firms, loans to purchase securities, includes borrowing and selling of securities, this type of trading is called a financing system [1]. Management should summarize short selling sentiment on company investments, financial and other implications [2]. Otherwise the company's finances will generate irregularities. Financing and securities system has a very important impact on corporate governance, corporate performance, corporate investors, management of the company, fulfillment of laws and regulations, developing capital markets

2. The Relationship between the Financing and Securities System and Corporate Governance

2.1. Mechanism of the Influence of the Financing and Securities System on Corporate Governance

Implementation of a financing and securities facility could significantly limit the secondary allocation of commercial credit among firms, i.e., lowering the allocation of long-term borrowing in the form of commercial credits such as: companies with strong bargaining power in the supply chain, enterprises with high levels of internal financial risk. The secondary distribution of business credit to these firms can be affected, enhanced constraints on the impact of subsequent financing facilities, more restrictive impact on the secondary distribution of business credit to enterprises [2]. The formation of our internal control system, china's internal control system has been established in the past 10 years after the introduction of the financial securities financing system and the Basic Standard for Enterprise Internal Control and other regulations [3]. Percentage of a firm's financing balance is inversely proportional to the likelihood that the firm will violate the law, corresponds to a positive correlation with the organization's non-compliance audit rate. in view of the above, we can deduce that, when a company has a high melt balance, more specifically, firms are less likely to violate the law when the "threat of short selling" is high. in the meantime, due to the repercussions of short selling, in which information is leaked, in the current market, companies with larger melting balances receive more scrutiny and attention from investors, the company's non-compliance audit rate has increased significantly as a result [4]. So, financing facilities affect corporate governance by influencing the limits of the secondary allocation of business credit to firms, and the internal control of firms.

2.2. Positive Effects of the Financing and Securities System on Corporate Governance

Information asymmetry and financing and securities are inextricably linked, while corporate governance and financing and securities are also closely related. The market for transactions resulting from information asymmetry generates unnecessary losses, and financing and bonding has a very good dampening effect on this type of loss, thus, the loss of assets of the enterprise will be reduced. Through the use of leverage mechanisms in finance and its transactions, as traders' profits will increase, this will inevitably lead to an increase in investors' demand for information about companies, this in turn leads to the involvement of market information intermediaries, in turn, information about the company is mined more aggressively, due to the growing market interest in the company, the company's management had to be more aggressive in releasing information, the financing and securities system leads to an increase in the amount of information contained within the relevant companies in the market, thus, information asymmetry in transactions is greatly reduced [5].

2.3. Negative Impact of the Financing and Securities System on Corporate Governance

Financing has a negative impact on corporate governance. This paper empirically analyzes the correlation between the short selling mechanism and corporate disclosure from Peng Wenping by studying several A-share companies listed on the Shenzhen Stock Exchange during the period from 2010 to 2016 as data, final conclusion, financing mechanisms are negative for corporate governance in the presence of analysts' optimism bias, the financing and financing system allows for easier disclosure of negative corporate information [6], thereby causing losses to the business.

2.4. The Role of the Financing and Securities System in Corporate Governance

Financing and financing system can bring high returns to companies higher percentage of investment, problems such as over-investment can be effectively stopped. This is well demonstrated by the study of Yan Lin et al, their study of the mechanisms by which short selling behavior affects a firm's investment efficiency concludes that, the impact of short selling on a firm's investment efficiency depends on the firm's level of internal governance, three aspects of the impact of different institutional investors' shareholdings on the efficiency of short selling on corporate investment are the research hypotheses, an empirical analysis of the role of the financing and securities system in corporate governance, a company's investment can be greatly enhanced by short selling, reducing business underinvestment [7]. This reflects the fact that financing and securities have a greater influence in corporate governance.

3. A Study of the Impact of Financing and Financing System on Firm Performance

3.1. Mechanism of the Impact of the Financing and Financing System on Firm Performance (In View of the Identification of CSR)

In order to study the impact of the financing and securities system on corporate social responsibility (CSR), it is important to identify the reasons why companies choose to fulfill their social responsibilities, enterprises mainly consider the interests of management when engaging in socially responsible actions, this intangible asset has significant value, it's a long-term investment in the company, will add value and performance to the company, using Short Selling Strategies to Promote Corporate Social Responsibility, long-term business value can be realized [8]. Corporate Social Responsibility (CSR) can greatly contribute to the expansion of a company's financial success, furthermore, it also reduces the financial risks faced by the business, dangers of debt default and idiosyncratic risks [9]. Therefore, this paper reflects that there is a close relationship between the financing and financing system and social responsibility, yet corporate social responsibility can contribute significantly to the expansion of financial, reducing financial risk and other hazards. Here it is demonstrated that the financing and securities system can affect a company's financial position by influencing corporate social responsibility.

3.2. Positive Effects of the Financing and Securities System on Corporate Performance

The short selling process makes a significant contribution to the concept of CSR [8]. In this paper, we refer to Li Li et al. who analyze the financing and financing system theory with the, information Theory This theory suggests that internal management is able to gain more knowledge about the firm's future prospects, consequently, this in turn creates the problem of adverse selection, the results of the empirical study then show that, financing and financing mechanism has a great role to play in facilitating the repurchase of company shares [10]. And stock buybacks have a direct effect on firm performance. So there is a direct effect of financing on performance.

3.3. Negative Impact of Financing and Securities System on Company Performance

The underlying companies of the financing and financing securities are analyzed by the analysts after the regulation of financing and financing securities is strengthened, decrease in media attention and thus increase in strategic requirements of the company's management to sustain mergers and acquisitions and refinancing, there is no risk of short selling at this point. Consequently, violations can occur, subsequent laxity in corporate governance increases the likelihood that firms will engage in non-compliance dramatically, and then there's a chain reaction. Since a large number of traders are noisemakers in our stock market, there is also a huge imbalance in transactions involving funds [10].

4. Study of the Impact of the Financing and Securities System on Investors

4.1. Mechanism of the Financing and Securities Financing System on Investors

This paper draws on Luo Yi et al.'s study of the link between the efficiency of listed companies' internal control and investors' financing and securities financing behavior by using A-share listed companies as the research samples with financing and securities financing as the research samples using empirical analysis, for listed companies, the more effective the internal controls, the better, instead the market becomes less favorable to the company [3]. The financing and securities system indirectly affects the internal management of enterprises through market and media information, etc, thereby affecting the profitability of the business.

4.2. Positive Effects of the Financing and Securities Financing System on Investors

In this paper, we refer to Yang Jiefei's analysis of corporate violations under the financing and securities financing system. An empirical study was done on the information advantage, ultimately conclude that contractual limitations related to goodwill impairment exist within financing [11]. Many studies show that most of those who "vote with their feet" for external regulation are short sellers, both are good at mitigating the various problems of corporate governance [12, 13]. The financing and securities system has once again fully demonstrated its significant improvement in corporate governance, acts as a disincentive to corporate financial irregularities, it can also compensate for positive effects such as information asymmetry in enterprises. Attracting more investors, Reduced investor regulation, etc, investors basically don't have to worry about anything.

4.3. Negative Impact of The Financing and Securities System on Investors

The negative impact of the financing and securities system on investors is also reflected in Yang Jiefei's empirical study, factors contributing to goodwill impairment risk in financing transactions

[11]. The financing and securities system can cause corporate impairments, this result in a loss of profit for investors. Abnormal Short Selling Positions Show Continued Upward Trend [11]. Thus providing a breeding ground for financial irregularities, the closer to the date of the breach announcement, the greater the breach by the firm and the greater the loss to investors, investor sentiment continues to rise, acting as an accelerator for the crash.

5. Conclusion

This paper concludes the study on the effectiveness of the financing and securities system on corporate governance from the perspective of company management and the capital market. Financing and securities system in maintaining market stability, addressing the risk of financial irregularities, keeping investor sentiment stable. Very good optimization in terms of corporate governance. Despite all the problems, financing and bonding is the most effective, for young companies that have been on the market for a short time, it is very effective for small businesses to increase their profits in a short period of time, it is possible to screen the market for companies with poor business skills. In this paper, we propose the following outlook Financing and bonding still has deficiencies in corporate governance such as a higher probability of corporate disclosure, investor protection still not optimal. In the case of a large number of noisemakers, the company's performance is not yet maximized. Consequently, there are still many problems with the financing and securities system, therefore, more research is needed on the benefits of financing and securities systems and corporate governance, so as to better contribute to the healthy development of the capital market.

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