Research on the development of pension finance in China

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Abstract. Due to the huge population base in China, the aging is developing faster and faster. In addition, China's mortality rate and fertility rate are declining, and the average life expectancy is getting higher and higher. China has carried out demographic structure reform at a very fast speed, and entered the aging stage in advance. The huge population base provides opportunities for the development of old-age related industries. Financial instruments and technologies are important ways to actively respond to population aging, which has led to the creation of a specialized field of pension finance. At present, the development of China's pension finance has achieved initial results, but the top-level design and development system of pension finance has not been established, and there are many challenges. This paper first summarizes the development status of China's pension finance, then summarizes the problems encountered in the development process of China's pension finance, and finally analyzes the key path to promote the development of China's pension finance.

Keywords: Population aging; pension finance; pension financial system.

1. Introduction

At present, China's population aging problem is gradually serious, has entered a moderately aging society. Population aging, especially accelerated aging, is not only an important development opportunity for the elderly care industry, but also a huge realistic challenge. According to the data of the National Bureau of Statistics, by the end of 2023, the population aged 60 and above in China will account for 21.1% of the total population, about 296.97 million people, and the population aged 65 and above will account for 15.4% of the population, about 216.76 million people. An aging society usually means that the elderly population aged 65 and above accounts for more than 14% of the country's total population. According to data from the United Nations World Population Prospects, an ageing society is projected to officially enter the world in the next few years.

With the increasing degree of population aging, China is faced with more serious problems of old-age support. Yang pointed out that at present, there is a "fragmented" phenomenon in China's policies to implement the strategy of population aging, with less cohesion, collaborative governance, lack of strategic perspective, and insufficient economic policies on aging such as finance, finance, industry, consumption and employment. Policy functions focus on meeting the survival needs of the elderly, failing to keep up with high-level needs such as development and enjoyment [1]. According to the main tasks proposed in the "Medium and Long-term Plan for National Active Response to Population Aging", the shortcomings are still obvious: According to the Statistical Communique on the Development of Human Resources and Social Security in 2022, the National Social Security Fund and the three-pillar pension fund will accumulate a total of 15.46 trillion yuan in 2022, which is not only low in total, but also small in per capita, and the structure is not balanced; The development of the elderly care industry is slow, and the supply of services and products is insufficient; Most elderly people are not willing to consume, and their basic needs for health care for the elderly have not yet been met. China's aging population is large in scale, long in duration and fast in development. Therefore, we should actively respond to and give solutions.

It is of great significance to develop pension finance. Pension finance helps to improve the quality of retirement life of individuals. By participating in pension insurance and purchasing pension products, individuals can obtain a stable source of income after retirement, so as to ensure basic living needs. In addition, pension finance can also help individuals carry out wealth management, realize the preservation and appreciation of assets, and improve the living standard after retirement. Yao believes that not only the pension system is one of the most important components of government public services, but also the pension finance is not only an important part of the pension industry, but also related to the future development direction of the entire financial industry. From a macro point of view, the pension finance industry is not only an emerging industry created by the aging population, but also a new financial industry under the conditions of the aging society in the future. Without the foundation of pension finance, not only the development of other industries will lose support, but even the development of the entire economy and society will be affected by the aging population [2]. Yao pointed out that pension is not only limited to pensions, but also includes other elderly financial consumption, which is a macro economic operation background [2]. Addressing the problem of population aging through financial instruments will address the issue of elderly care, improve the ability of future seniors to pay, and create new consumer markets and employment opportunities. Therefore, pension finance is relevant to the long-term planning of social development in our country. Taking pension finance as the research object, this paper summarizes the positive influence and influencing factors of pension finance development from the aspects of the concept of pension finance and the development status of domestic pension finance.

2. The Concept and Development Status of Pension Finance

2.1. The Concept and Characteristics of Pension Finance

The elderly care includes many aspects, but they all involve the role of financial media accommodation. Financial instruments are a way to deal with the aging society, promote the elderly to enjoy the fruits of economic and social development, and also an important guarantee to meet the needs of the masses for the elderly, thus forming the pension finance. Pension finance is emerging in the aging society and the diversified development of financial system. Shi believes that pension finance refers to the sum of financial activities surrounding various needs of social members for pension in order to meet the challenges of population aging [3]. Wang pointed out that financial and related products and services are of great value in coping with the challenges of an aging population and meeting the diversified needs of residents for the elderly, while also helping the elderly to better share the fruits of economic and social development [4]. Dong pointed pension is the income that people accumulate in advance when they are young for the retirement stage, and it is a financial intermediary tool generated to prevent income instability and longevity risks in old age [5]. As an important solution to the problem of aging, old-age finance provides diversified old-age life security and multi-level financial services for the elderly through the innovation and development of financial instruments and services.

Its pension finance contains multiple levels of content. The pension financial system, which includes basic pension insurance, annuity and personal pension, aims to provide a stable source of pension for the elderly through the system. Pension financial products, including pension funds, insurance, wealth management and other types of financial products, have the characteristics of long-term and stability. Elderly care services include elderly care services, such as elderly care medical care, elderly care community, etc. Through various aspects of elderly care services, improve the quality of life of the elderly. Hou pointed out that pension finance has the following characteristics. Inclusive, the coverage of pension finance is very wide, the service object not only contains the elderly population, but also includes the development of pension services enterprise units. At the same time, the elderly group is the vulnerable group in the society, which makes it have welfare and public welfare. Robust, pension finance aims to ensure the needs of the elderly and ensure the security of funds. It has low risk and high credit. Diversity, pension finance has a wide range, diverse forms, including multi-faceted financial business types. Long-term, pension project investment period is long, business is long-term and sustainable, and establish long-term cooperative relationship with customers [6].

2.2. Development Status of Pension Finance in China

But at present, more aspects have not done enough countermeasures. In order to better meet the needs of elderly people for pension, it is necessary to promote the deep integration of pension assets and financial markets. Pension finance is one of the important contents. The development of pension finance can help alleviate the existing pension anxiety and ensure that the elderly can enjoy basic life security. Therefore, in order to protect and improve the life of the elderly group, we need to promote the development of pension finance in our country, and solve the challenges and opportunities facing today in the social and economic level. At present, there are still many problems in China's response policy to population aging. There are obvious shortcomings in the main tasks proposed in the Medium and Long Term Plan for National Active Response to Population Aging: According to the Statistical Communique on the Development of Human Resources and Social Security Undertakings in 2022, the National Social Security Fund and the three-pillar pension fund will accumulate a total of 15.46 trillion yuan in 2022, which is not only low in total amount and per capita, but also unbalanced in structure. The development of the elderly care industry is slow, and the supply of services and products is insufficient; Most elderly people are not willing to consume, and their basic needs for health care for the elderly have not yet been met. Zhou believes that domestic pension market investment is mainly dominated by small and medium-sized private enterprises, which has not formed large-scale, industrialization, and mature profit model [7]. Sun believes China's pension system has prominent structural imbalance and contradictions, over-reliance on the first pillar, great expenditure pressure on basic pension insurance, insufficient coverage of the second pillar, and a long-term initial stage of the third pillar, unable to effectively play a complementary role [8].

3. Problems Facing the Development of Pension Finance

3.1. Lack of Wealth Reserves for Retirement

China's pension industry is still in the embryonic stage, and pension finance is also in the initial stage of exploration. From the perspective of western countries, they generally entered the stage of economic development before the problem of population aging, so they generally accumulated a relatively sufficient pension wealth reserve, laying a relatively good material foundation and security. For example, in the United States, pension asset reserves in 2019 exceeded more than 150% of GDP that year, and the three-pillar pension replacement rate could reach more than 70%. And the United States entered the aging population with a GDP per capita of more than $10,000. China's per capita GDP is still lower than the world average when it enters an aging society. In addition, Western developed countries generally focus on the development of the tertiary industry, and elderly care services such as elderly care communities and supplies for the elderly have developed more fully.

3.2. Massive Aging Scale

In addition, the development history of the financial industry in Western countries is longer, and the development of financial instruments and means is more abundant. Therefore, under the background of mature development of the pension and financial industries, the combination can be realized more smoothly. China, by contrast, is struggling. China's population is aging extremely fast and growing at an accelerating rate. It is expected that by 2050, the aging degree of China will reach the level of developed countries, and the proportion of people over 65 years old will exceed 30%. The number of elderly people in China is expected to exceed 400 million by 2050, more than the total population of Europe, according to a forecast on the development trend of China's aging population released by the Office of the National Working Commission on Aging.

3.3. Differences in Pension Consciousness

There is a certain gap in the self-care consciousness of the elderly in China. Take the United States as an example, its national savings rate is not high, but its pension has a rich source of funds, the main reason is that the West advocates individual independence, citizens emphasize self-pension, and will early plan according to their own conditions. In addition, China's pension products are mainly purchased by the elderly or the near-elderly, who generally lack knowledge of pension finance, are unfamiliar with financial products, financial markets, and financial regulations, and have insufficient ability to judge and identify product risks. They are easy to be induced by institutions, and the pension financial products purchased cannot match their own risk tolerance or their own needs for pension financing.

3.4. Lack of Innovation

In addition, Zhou pointed out that China lacks innovation in financial empowerment for the elderly. In China's financial system, most of the pension financial products are developed according to the traditional credit product model, and the personalization is not strong [9]. In addition, the pension system of foreign countries is very different from that of China, resulting in the lack of reference and reference subjects in China, and it is difficult to promote innovative products.

4. Pension Finance Development Strategy

4.1. Change the System and Model Supply

First of all, pension finance needs to have a variety of models, effective supply of products. Up to now, the supply structure of China's pension system lacks rationality. Yao pointed out that at present, China's pension financial system relies too much on the first pillar of social planning and personal accounts, while the second pillar of enterprise annuity, occupational annuity and the third pillar of individual tax-advantaged-retirement accounts account for a small proportion, leading to the financial unsustainable of the entire pension system [2]. Therefore, the total scale of pension wealth should be expanded by improving investment returns, optimizing the structure and increasing the proportion of pension.

4.2. Supporting the Expansion of the Elderly Care Industry

Support the elderly care community, elderly care products, elderly care services and other aspects through the elderly care finance. Pension areas usually have large investment scale and long development cycle, but they have strong user stickiness and broad prospects. To further promote financial resources to elderly care institutions, health management, resident elderly care, elderly education and other fields, while encouraging commercial institutions to use financial platforms to achieve cross-border cooperation. So as to realize the positive interaction between the pension industry and the financial industry.

4.3. Implement Innovative Ideas

Promoting the development of pension finance requires the combination of system innovation, management innovation and technological innovation. Among the "five development concepts" put forward by the Fifth Plenary Session of the 18th CPC Central Committee, the first is "innovation". At the same time, when determining the law of the market, innovation should be carried out according to China's actual situation. Jiang pointed out that the government should strongly support financial institutions to innovate pension financial products, introduce corresponding preferential policies, encourage relevant institutions to make bold attempts, and create a good macro environment for the optimal allocation of residents' personal pension assets [9].

4.4. Broadening Channels

Ma pointed out that the channels of financial services for the elderly should be expanded. According to the current situation of the aging population in various regions and the actual needs of pensions, China should strengthen the innovation of financial products for the elderly service, and develop more targeted and adaptable diversified products to meet the diversified financial needs of different types of elderly people [10].

5. Conclusion

Pension finance is a key tool to solve the increasingly serious aging society. This paper summarizes the development status of pension finance, development predicament and puts forward development strategies. Pension finance is not only existing in the aging society, but accompanied by the modern society. With our country accelerating into the stage of moderate and severe population aging, the pension problem should be paid more attention to. Taking the government as the leading role and the market as the main body, accelerating the development of pension finance and making it the core hub to cope with the aging population is the basic financial system arrangement for China to cope with the aging population, allocate pension resources and match the aging economy and society in the stage of moderate and severe aging. With the development of society, social pension finance will be more and more colorful to meet the needs of the elderly. It is an important research topic in the field of pension finance in the future to promote the formation of institutional synergy between pension finance and policies in other fields to effectively cope with the challenges of population aging.

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