

fund manager's behaviour, the probability of 'herding' may increase, along with the development of information technology.

The P-value of the first-order difference in commercial credit ratio is 0.437, which is greater than 0.1, which indicates that the first-order difference in commercial credit ratio has no significant effect on the ROE. The regression coefficient is -2.932, which indicates that there is no significant negative correlation between commercial credit rate and return on net assets. Therefore, empirical regression shows that Hainan Airlines's commercial credit rate has no significant negative correlation with company performance. The previous assumptions are inconsistent.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Empirical research results analysis and recommendations

Through the empirical study on the relationship between Hainan Airlines's debt financing and corporate performance, the following conclusions are drawn: 1) The overall scale of assets and liabilities of Hainan Airlines is significantly negatively correlated with company performance; 2) Hainan Airlines' short-term debt ratio is significantly negatively correlated with company performance. There is no significant negative correlation between the long-term debt ratio and the company's performance. 3 The bank loan rate of Hainan Airlines is significantly negatively correlated with the company's performance, and the business credit ratio is not significantly negatively correlated with the company's performance. The empirical results are now analyzed through a combination of theory and practice:

5.1.1 Analysis of empirical research results

5.1.1.1 Analysis of the results of the relationship between the overall structure of debt and corporate performance

Hainan Airlines' asset-liability ratio has a significant negative correlation with the company's performance. After analysis, the reasons may be as follows:

1. Debt financing is too large

According to the revised MM theory, debt financing has a tax shield and can reduce the income tax that should be paid. The company usually expands its debt ratio, increases

its financial leverage, and increases its ROE. However, empirical evidence shows that Hainan Airlines' debt scale has a negative effect on ROE (Corporate Performance). This shows that Hainan Airlines' debt ratio may have exceeded the debt ratio equilibrium point mentioned in the trade-off theory. Performance has a negative effect. After the listing of Hainan Airlines, the average debt-to-asset ratio in the past 16 years was 81.13%, and the highest was 91.56%. This compares with the debt ratio in the industry. Hainan Airlines' interest expense accounts for more than 50% of the total expenses in most years, and interest expenses generally account for more than 10% of operating revenue in each year. As a result, the high debt costs incurred by large-scale liabilities will burden the company's operations and may have negative effects on company performance.

2. Debt is not binding on management

When a company makes debt financing, the company has the obligation to pay the principal and interest. If it fails to pay back, the company's control will be transferred to the creditor's hands. The management will face the risk of dismissal. According to the agency theory, the company's debt Financing can motivate management to work hard and improve company performance. However, the high debt of Hainan Airlines did not play an incentive role for the management: 1. The actual controller of Hainan Airlines is the Hainan State-owned Assets Management Committee. With local government as a support, it is unlikely that they will be able to repay debts. During the SARS period of 2003 and the financial crisis of 2008, Hainan Airlines made a huge loss and was unable to repay its debts. However, the Hainan government injected large amounts of funds into Hainan Airlines in 2003 and 2008 respectively, which helped Hainan Airlines get out of its predicament; 2. As the fourth largest aviation industry in China, Hainan Airlines has reached an asset scale of more than 100 billion yuan. The statement that large companies in China are "big but not down" has become deeply rooted in people's minds. There are many ways and means for large companies to obtain funds. Hainan Airlines Even Without the government's capital injection, it is also possible to repay huge debts by means of new debts and old debts, and the capital chain is unlikely to break. Based on the above two points, Hainan Airlines's debt is not binding on the management team and does not provide incentives. This may have negative effects on company performance. in perfect market conditions any capital structure should not influence firm's activity and its profitability.

3. The profitability of debt funds is not strong

In addition to meeting the cash flow of its own operations, Hainan Airlines uses its debt to finance its own large-scale expansion with debt funds. In 2002, Civil Aviation

completed the reorganization of three major airlines: China International Airlines, China Southern Airlines, and Eastern Airlines. Most local airlines merged into the three major airlines through restructuring, or the three major airlines took shares. As a local airline, Hainan Airlines will have the possibility to be merged or participate in shares by the three major airlines. The controlling shareholders and management of Hainan Airlines are more inclined to their own independent development. To avoid being merged, Hainan Airlines has embarked on an expansion path. . After years of development, Hainan Airlines now has nearly 200 aircraft, and shares a number of local airlines, ranking fourth in China's airlines. The funds financed by the high debt ratio met the expansion needs of Hainan Airlines, but the profitability of Hainan Airlines did not increase. From the performance analysis of Hainan Airlines, we can know that the profitability of Hainan Airlines is at a relatively high level compared with the Big Three, but the profitability of Hainan Airlines has not increased with the increase in the scale of assets. Through the processing of Hainan Airlines's financial statement data, it can be seen that Hainan Airlines's total assets grow at a rate of 20% in most years, and the growth rate in individual years also reaches more than 50%. Hainan Airlines' net profit growth rate is in most years. Less than the total asset growth rate, negative values also appear in individual years. Therefore, Hainan Airlines' ability to generate profits through debt-financed funds is not strong, which may have negative effects on the company's performance.

5.1.1.2 Analysis of the results of the research on the relationship between debt maturity structure and corporate performance

5.1.1.2.1 The short-term debt ratio of Hainan Airlines has a significant negative correlation with the company's performance. after analysis, the reasons may be as follows:

1. Short-term financial liquidity pressure

From the analysis of Hainan Airlines' debt maturity structure, we can see that the short-term debt ratio of Hainan Airlines is higher than the long-term debt ratio in most years except for certain years. Short-term liabilities require the company to repay principal and interest within a short-term period. If the company has excessive short-term liabilities, the payback period of operating funds should not be too long, in order to provide funds for the payment of short-term liabilities, but the recovery period of Hainan Airlines is relatively low. Chang: On the one hand, Hainan Airlines's capital investment in its operations is mainly fixed assets. The aircraft occupies a large amount of funds, and the payback period is longer. In the short term, the funds recovered have a small share compared with the funds invested, and aviation The cash flow required for the company's

daily operations is also relatively high, such as jet fuel costs and aircraft maintenance costs, which also requires a lot of capital investment; on the other hand, Hainan Airlines's revenue is mainly ticket income, and some tickets are sold by other companies. The company conducts agency sales so that funds cannot be returned in time and the recovery period of funds will be extended. Therefore, the high percentage of Hainan Airlines' short-term debt ratio, combined with the long payback period for operating funds, will exert pressure on short-term liquidity, which may have negative effects on the company's performance.

2. Forced to give up some temporary investment projects

Hainan Airlines has a high short-term debt ratio, which may have the effect of reducing the enthusiasm of temporary project investment in addition to its impact on daily operations. For long-term projects, such as the purchase of aircraft, Hainan Airlines has long-term plans and generally plans debt financing. Hainan Airlines has ample funding sources for these projects. Temporary investment projects, for example, have found that the traffic volume of an airport is large. It is necessary to place direct-to-airline direct sales points at airports with large passenger flow to increase the company's revenue. However, due to the high short-term debt ratio and the heavy cash flow pressure, Hainan Airlines' investment in these projects, which may increase the company's revenue, will be affected and may be abandoned, which will affect the company's profits. This may have negative effects on the company's performance.

5.1.1.2.2 Probable negative correlation between Hainan Airlines' long-term debt ratio and company performance:

Tax exempt bond financing is as simple as it is useful. Suppose that Dire Dawa is ready to borrow at a rate proportional to its credit rating with the added bonus of tax exemption.²⁹ⁱ The city of Dire Dawa would work with a U.S. underwriter to prepare offering documents for their planned water system. If the offering documents are accurate and legal, bond counsel would write an approving opinion stating that the bonds are a valid tax-exempt investment. The underwriter would then sell Dire Dawa's bonds to investors who consider the project investment worthy, and the underwriter would then send the proceeds to the city for construction. After the project is constructed, Dire Dawa would charge the citizens who use the water system a fee for its use and place the proceeds available after operating costs into a debt repayment account, which would then be used to pay off the bonds. If the fees were not enough to service interest payments on the bonds, then Dire Dawa would probably have to dedicate other sources of tax revenue to the project (Song, 2008).

5.1.1.3 Analysis of the results of the relationship between the source structure of debt and company performance

The bank loan rate of Hainan Airlines is significantly negatively related to the performance of the company. After analysis, the reasons may be as follows:

1. The bank's soft binding on the company is not strong

According to the process of commercial bank lending, when the bank intends to provide loans to the company, it should conduct due diligence on the company's financial status, credit record, etc. before lending; then evaluate the projects invested by the borrowing funds to determine whether to provide Loans; If it is determined that a loan has been provided, it will supervise the company's daily operations and regularly assess the financial status to ensure the safety of fund recovery. If commercial banks provide loans to the company to fulfill the above-mentioned pre- and post-event responsibilities, they will play a soft constraint on the borrowing company. This will not only ensure the safety of bank lending funds, but also the management of the company. The layer plays a supervisory role and can improve the company's performance to some extent. However, the banks lending to Hainan Air have basically not played a soft constraint on Hainan Airlines: 1. Hainan Airlines signed a "bank-enterprise cooperation agreement" with a number of banks. As long as Hainan Airlines has the capital needs, and within the credit limit The bank will provide funds to Hainan Airlines at any time. The bank did not investigate Hainan Airlines's recent financial status before lending. Second, the bank has no explicit agreement on the flow of borrowing funds of Hainan Airlines, so that Hainan Airlines may invest the funds in high-risk areas. If losses occur, it is unfavorable for the banks and Hainan Airlines. 3. Under normal circumstances, after the banks in our country have provided loans to the company, they do not supervise the company's daily operations. Only after the company's financial situation has arisen, do banks begin to pay attention. Therefore, banks did not supervise Hainan Airlines after lending and did not have any authority over management. It can be seen from the above several aspects that the bank's binding force on Hainan Airlines is negligible. This way, on the one hand, it has to bear high financial costs to repay the bank's interest. On the other hand, the bank is not binding on Hainan Airlines. Therefore, the bank's soft binding on Hainan Airlines is not strong. This may be the reason why the bank borrowing rate is significantly negatively related to the company's performance.

2. The scale of bank loans is too large

Banks have large credit lines for large-scale enterprises. Each major bank has given

Hainan Airlines a large amount of credit, which is basically several billion yuan each time. Hainan Airlines also used financing for individual performance evaluation of the company's financial personnel. The amount of money is an important reference, and the financing channels of financial personnel are also bank-based, which keeps the amount of bank borrowing high. Among Hainan Airlines's debt sources, bank borrowings account for more than 70% of total debts in various years, and individual years also reach more than 85%. Excessive scale of liabilities may have negative effects on the performance of the company, which is the overall structure of the above debt. The relationship with corporate performance has already been analyzed. Therefore, the excessively large borrowing of Hainan Airlines may be the cause of the significant negative correlation between the bank loan rate and the company's performance.

First of all, the reason why the long-term debt ratio has no significant effect on the company's performance may be due to the fact that the amount of commercial credit in Hainan Airlines's debt source is relatively small, the commercial credit rate is basically around 10%, and the highest commercial credit rate is around 15%. This is far less than the bank borrowing rate. Moreover, commercial credits are generated in the loop of the capital cycle. Hainan Airlines' commercial credit creditors are mostly long-term cooperative companies of Hainan Airlines, and their interest requirements are relatively low, and they can even obtain interest-free commercial credit debt funds. Therefore, these characteristics of Hainan Airlines commercial credit may have no significant effect on company performance. Second, the reason why commercial credit ratio is negatively related to corporate performance may be that commercial credits are short-term liabilities, and short-term liabilities will have a certain impact on daily operations. This has been analyzed in the above relationship between debt maturity structure and corporate performance. Then again, the characteristics of commercial credit with short-term liabilities may be the reason why commercial credit has negative effects on company performance.

5.1.2 Suggestions

Through the analysis of the status quo of Hainan Airlines's debt and performance in the pre-chapter chapter, the empirical study of the relationship between Hainan Airlines's debt financing and corporate performance, and the analysis of the possible causes of the empirical research results in this chapter, combined with the status quo of China's capital market, it is now for Hainan Airlines. Put forward the following suggestions and hope to help Hainan Airlines improve the performance of the company:

1. Strengthen the sense of responsibility of management and improve the efficiency of corporate governance

One of the consequences of operating in an open, competitive market is that governments are free to make either positive or detrimental fiscal decisions. In the discussed example of the Indian municipality that successfully issued a bond to build a water system,^{2^3} efforts to raise the capital began with the implementation of sound internal policy. Taxing and operational spending decisions are outside of the discussion of this Note, and there is already much scholarship on the topic. Once a consistent and principled operational budget is in place, many municipalities may still not be viewed as creditworthy. It is crucial that developing countries take advantage of two U.S. innovations: bond banks and revenue bonds (Rajan & Zingalas, 1995).

2. Change the company's development strategy and achieve simultaneous development of quality and quantity

After years of expansion and expansion, Hainan Airlines has achieved a leap-forward growth in its total assets and company size. Since its listing in 1999, Hainan Airlines has increased its assets from 6.4 billion yuan to 121.9 billion yuan in 2014. Its assets have grown at a rate of more than 20% in each year (He, 2014). The fleet size was only 10 aircraft at the beginning of the listing. As of June 2015, Hainan Airlines had 183 aircraft. Therefore, Hainan Airlines' development is worthy of certainty in terms of quantity alone, but from a qualitative perspective, Hainan Airlines' profit growth rate is lower than most of the years. Growth rate of assets. The capital expansion of Hainan Airlines's assets mainly comes from debt financing, and debt financing needs to bear a heavy financial burden. Under such circumstances, Hainan Airlines meets its own expansion through the premise of huge financial costs, but profits do not follow. The increase in the rate of growth of total assets will affect the long-term development of the company. Therefore, Hainan Airlines should pay attention to the growth of profits while focusing on the development of scale. When investing in the project, it is necessary to fully consider the profitability of the project and cannot blindly purchase aircraft and develop new routes in order to expand the scale. For projects where profitability is not very clear, considerations and trade-offs should be carefully considered, and trade-offs should be made after all the advantages and disadvantages have been combined. Hainan Airlines must shift its development strategy from focusing on weight only and not focusing on quality to a development strategy that emphasizes both weight and quality. Only in this way can the company's scale and use of financing be rationalized and the healthy and stable development of the company can be achieved, thereby improving the

company's performance.

3. Expansion of diversified financing channels to moderately reduce overall debt ratio

The high debt ratio of Hainan Airlines has caused Hainan Airlines to bear huge financial costs and market risks, which has caused certain negative impact on the company. It is undoubted that there is a huge demand for funds in the aviation industry. However, Hainan Airlines should expand other financing channels to achieve the effect of satisfying both the capital demand and the overall debt ratio. Such as stock market financing, the funds obtained through common stock have no obligation to repay the principal and interest. Compared with safety and stability, Hainan Airlines, as an airline listed on the A-share and B-share markets at the same time, can make full use of its own advantages, Under the condition that its shareholding structure has little impact, it expands the share of financing from the stock market to meet the demand for funds; the internal source financing and preferential financing theory believes that inward financing is the first choice, which will neither change the ownership structure nor obtain a low level of equity. With regard to the cost of funds, Hainan Airlines, as a core enterprise under the HNA Group, can use the Group's resources to provide financing to member companies within the Group. In short, Hainan Airlines should pay attention to the problems of high debt ratios in meeting the demand for funds, and moderately reduce the overall debt ratio through diversified financing channels, which not only meets the needs of funds, but also reduces the debt ratio.

4. To moderately reduce the short-term debt ratio and optimize the debt maturity structure

Under the premise of high debt ratio of Hainan Airlines, the short-term debt ratio is obviously higher than the long-term debt ratio. The short-term liabilities have large volatility and the short repayment period will affect the flow of company funds. It is not appropriate to use short-term liabilities to finance excessively. However, short-term liabilities also have the advantages of lower costs and greater flexibility, and can be properly financed with short-term liabilities. Therefore, Hainan Airlines can make appropriate adjustments to the debt maturity structure according to the company's actual operating conditions: For projects with a short payback period and a relatively small amount, such as the input of self-operated ticket sales outlets, and the operating costs of airport operations, Short-term liabilities are financed; For projects with longer payback periods and larger amounts of money, such as the purchase of aircraft, the development of new routes, etc., long-term liabilities should be selected for financing to achieve the

purpose of matching the payback period with the debt repayment period. . Most of Hainan Airlines's capital is invested in fixed assets and the payback period is longer. This part of the project investment can be used to finance long-term liabilities, and there is room for improvement in long-term debt share. Therefore, Hainan Airlines should change the current status of the debt maturity structure, gradually increase the proportion of long-term debt, moderately reduce the short-term debt ratio, in order to optimize the debt maturity structure.

5. Properly reduce the bank borrowing rate and optimize the debt source structure

Hainan Airlines' bank borrowings are the main source of its debts. The interest paid by bank loans is a major part of the financial expenses. It also concentrates the sources of debt financing on bank loans, making the financial risks too concentrated. Hainan Airlines's debt sources should try to obtain debt funds through multiple channels: commercial credits and commercial credits have relatively low cost of capital and do not have excessive financial costs, but they have short-term liabilities and have a certain impact on daily operations. At present, Hainan Airlines has a small share of commercial credit in debt, and can appropriately increase the financing share of commercial credit. Corporate bonds, Hainan Airlines 2008 approved by the China Securities Regulatory Commission received the qualification to issue corporate bonds, interest on corporate bonds and interest on bank loans Not large, but also to pay a certain issuance costs, the total cost is high. However, the current Hainan Airlines's share of financing through corporate bonds is relatively small, and its share can be appropriately increased to achieve the purpose of reducing the bank's borrowing rate. Moreover, in order not to cause too much impact on daily operations, the issue of corporate bonds should be based on medium and long-term terms; Leases: For companies such as airlines that use fixed assets as their main assets, financial leasing is a common financing method. Airlines can obtain the right to use the aircraft by paying rent in installments. At present, Hainan Airlines uses less financial leasing methods to purchase aircraft, mostly through bank loans. Hainan Airlines Group owns a number of financial leasing companies. Hainan Airlines can make full use of the Group's resources to develop financing methods for financing leasing. The aircraft project has reduced its reliance on bank borrowings and moderately reduced bank borrowing rates. To sum up the above points, Hainan Airlines needs to increase the share of other debt financing methods among its debt sources, and appropriately reduce the bank borrowing rate. This can optimize the structure of debt sources and improve company performance.

5.2 Conclusion

The main research object of this paper is Hainan Airlines, a listed company, whose main purpose is to study the relationship between Hainan Airlines' debt financing and company performance. In the preface, starting from the structure of debt financing, the structure of debt financing is divided into the overall debt structure, the debt maturity structure, and the debt source structure. This is the classification of debt financing structure used by most scholars to study debt financing; Corporate performance is represented by return on net assets, which is what most scholars have adopted; the relationship between the two uses empirical analysis methods to reach a conclusion through the multiple regression of econometric model. The empirical results show that the relationship between debt financing and corporate performance is more Consistent with the reality and economic logic, it is basically consistent with the assumptions made by Hainan Airlines before the reunification. This article roughly draws the conclusion of the relationship between Hainan Airlines debt financing and company performance, and based on Hainan Airlines and the actual situation of China's economic market, put forward some suggestions to improve Hainan Airlines's debt financing structure and improve company performance. On the whole, this article basically achieves the research purpose and expected effect. However, due to the complexity in the real economy market, the information obtained on Hainan Airlines is not very comprehensive, there may be some deficiencies in research methods, and the level of individual research is limited. The practicality of this paper is still to be studied in the future. Continue to explore.

The continuous improvement of China's market economic system has provided a convenient environment for the debt financing of listed companies, and has reduced the cost of debt financing to some extent. From the statistical data in recent years, the share of debt financing in the financing structure of listed companies has increased. Gradually increase, but the problems related to debt financing also appear. Under such circumstances, more and more scholars pay attention to the problems related to debt financing, and research in this area is gradually heating up. The study of the relationship between Hainan Airlines's debt financing and performance is drawing to a close, but the research on the debt financing related aspects has not yet ended and can only be said to have just begun. This article only selects microscopic Hainan Airlines as a case to study. The research is practical and pertinent. The research results can be used as a reference for debt financing of other listed companies to a certain extent, but this is not equivalent to macroeconomic. The relationship between debt financing of listed companies and company performance was studied. Therefore, for this kind of macro-research, it remains to be learned and explored in the future work and study.