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## Risk study of the economic crisis the real estate enterprise development environment

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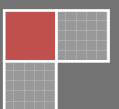
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### ABSTRACT

This paper introduces the definition of private capital, researches the development and connotation of credit industry and describes the application of private capital in the credit industry in the context of economic crisis. It analyzes the problem of credit industry to absorb the advantages of private capital and the face problems. On this basis, effective measures of economic crisis the credit industry to absorb private capital is proposed. It strives to integrate idle private capital, so it gives in small under the economic crisis business development opportunities. Thereby it can reduce the negative impact of the economic crisis, and promote the overall economy rebounds.

### KEYWORDS

Private capital; Credit industry Economic crisis; Measures.



INTRODUCTION

Economic crisis is more than that of the national economy continues to shrink in the long term. The economy can only refer to one or more countries, can also contain the entire world economy into account. September 2008, Lehman Brothers bankruptcy, it marking due to the subprime mortgage crisis triggered by the economic crisis kicked off. The impact of the crisis-ridden economy, the world economy fell into a severe recession, the course of the crisis on China market impact can not be avoided. In the Chinese market economy, it is not only the impact of the capital markets, but also seriously affected the country's fixed asset investment, resulting in a serious impact on China's foreign real economy.

Credit industry originated in the 1770s, marked by the Irish Loan Fund system appear. To the 1880s, Germany has established credit cooperatives. After a long period of development, when in the 1970s, there have been small credit services platform. Micro-finance is usually smaller credit lines, which mostly target small and medium enterprises or low-income families. The purpose is to help these financial difficulties to achieve the enterprise's production or reflect support for public projects. It is worth noting that the small credit use in the production or development of public, rather than consumer use. At present, China micro-finance industry is in the early stages, yet it forward in the dark, but from the current development trend, the momentum is enough, faster development.

Private capital from different angles extension can have different definitions ways. But the way these definitions have one thing in common, reflected in the implications of this part of the assets of property ownership for their non-government sector capital. Extended concept of private capital from different angles have different distinction. Private capital can be defined as all capital from the national non-governmental sector. This non-government ownership of capital is defined as the standard, emphasizing the property standards, which is the definition of private capital from the perspective of ownership to define. Ownership of the standards since can give property rights, it can also based on the use, which is based on the investment main body to set. From this perspective, private capital is invested by national non-governmental sector and all use of disposable capital. So from different angles ownership and use to analyze the connotation basically the same. But they are not the same definition, the difference on this concept, so in the study of the different uses of private capital, you can use the corresponding concept.

At present, in the context of the economic crisis, the most important thing is to restore production and development, especially in the production and development of middle and small-sized enterprises, take advantage of private capital, the use of the credit characteristics of the industry. Especially the recent rapid development of micro-credit, improve efficiency in controlling risk colleagues, win opportunity for production and development of our business, which through the economic crisis, it is worth thinking about and exploring issues.

CREDIT INDUSTRY

Development of credit industry

Credit industry originated in the 1770s, marked for the emergence of the Irish loan fund system. The system is mainly poor farmers that do not have collateral to offer small loans. To the 1880s, it began to appear in the true sense of the credit cooperatives. This cooperative is established in Germany. After a long period of development, when in the 1960s, the credit is to provide low-interest loans began to emphasize the difficulties farmers for low-income, small-scale agriculture or small industry. But it is not on the repayment date and make provisions for loans, resulting in most of the studies failed. In 1970s, it began to appear micro-finance services platform. That is to help the poor through micro-finance capital formation, thereby improving the welfare of the poor. With the development of the credit industry, according to the target focused micro-finance gradually divided into two camps, namely welfare and institutionalism. The former focus is to help the poor production and living, while latter pay more attention to the credit industry sustainable development. With the current technology development and the diversification of credit financial products, welfare and institutionalism has begun integration, the common pursuit of a win-win goal. The real estate investment and development situation since 2008 is shown as Figure 1.

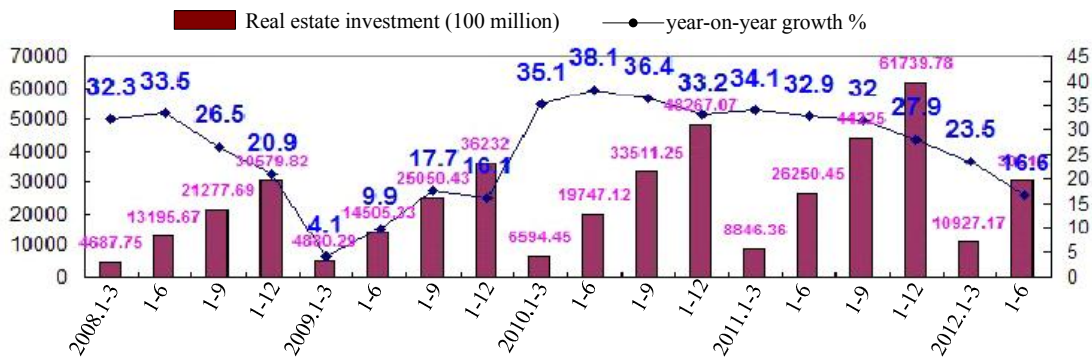
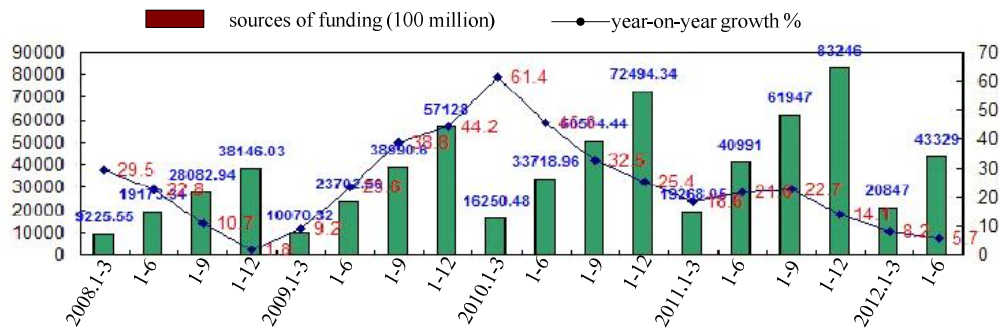


Figure1 : Real estate investment and development situation since 2008

**Micro-finance connotation**

It already mentioned above, the objectives focus on different, micro-finance note focuses are different. In different countries or different institutions, micro-finance understanding is different. In the definition of CGAP, micro-finance provide more financial services, including loans, savings, insurance, and the remittance. Financial services provided mainly for low-income families, loan services offered to give these low-income families with to produce capital and generate profits in their own human capital, based on the way out of poverty. Savings services is stored into a large sum of money available and ready for use. Insurance services can reduce investment risk, provide for future unforeseen expenses protection.

Micro-credit is not only meaningful poverty alleviation on the inside, and is a cost-effective development in line with the economic situation. It has been the mode of operation, sustainable development. Now it is not the purpose of credit for consumption, but to promote the production of micro-credit offers the possibility of improving income distribution, thus changing the distribution of wealth and income. Through a long period of development, it has been basically confirmed that micro-finance does have the effect of increasing the income of the poor. There mentioned earlier, micro-finance in welfare, it's this part of the function enables the poor to break the poverty situation, and saving functions and features will give poor families to provide pension security guarantees. The property sources of funding since2008 is shown as Figure 2.



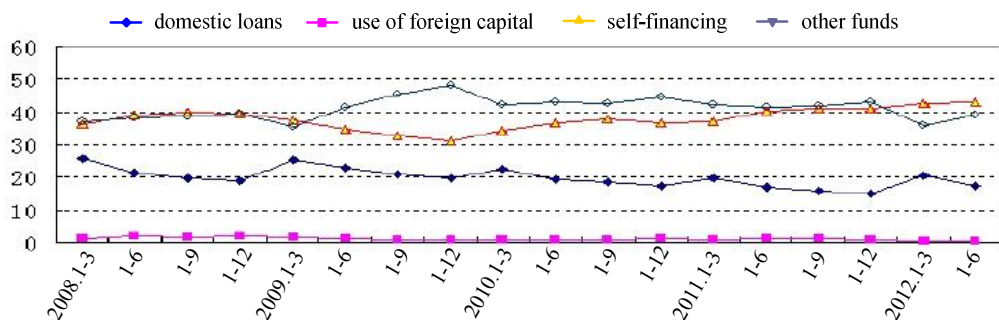
**Figure 2 : Property sources of funding since2008**

In short, micro-finance is to adapt to the market economic development, although only in the last 20 years to achieve results. But it has quickly expanded from the area to the majority of developing countries. In some developed countries, micro-finance has also been developed. In China, the introduction of micro-finance primarily as a means of poverty alleviation, the main target is small and medium-sized enterprises. But after 20 years of development, there is now a sense of promoting rural financial and social stability, and funding has been provided by the government and the country domestic funds.

**Our micro-credit development bottleneck**

Prerequisite for long-term sustainable development of micro-finance is to integrate the private sector to private capital, and then put into commercial investment. But in our country, the integration of private capital is more difficult, because people generally believe more trust in government financial organizations. Therefore, China should develop micro-credit, need to actively create a positive atmosphere for private finance.

In China, micro-finance target group is poor and low-income populations. It is easy to subsidize poverty alleviation project phase fuzzy, but both are significantly different. Although there are former welfare nature, but its essence remains the loan, which need to return on time principal and interest. Poverty alleviation projects have greater significance lies in the nature of social assistance. So in different regions, the credit model should adjust according to the local economic situation. It has been mentioned earlier, some of our current sources of funding micro-finance institutions abroad. So there is great uncertainty, once the funds recovered, the project will not be sustainable. This distrust for micro-finance the development has a certain extent. Now China began to develop their own sources of funding on government agencies to believe the future will provide a boost for the development of micro-finance.



**Figure 3 : Sources of various types of real estate companies share capital cases since 2008**

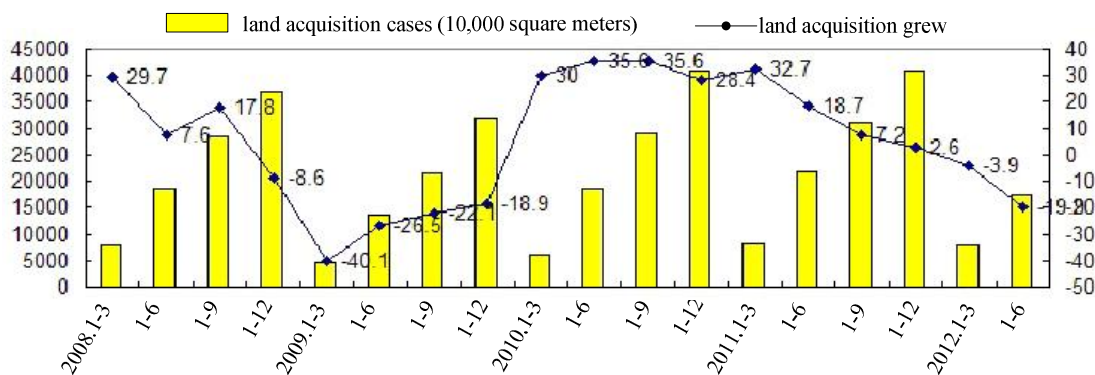
**THE APPLICATION OF PRIVATE CAPITAL IN CREDIT INDUSTRY**

The integration of private capital folk are used to develop the credit industry, which has become a model for the credit industry. But now it has been running a pilot micro-finance private capital, which in a certain guiding role of private capital into the credit industry. It can effectively promote the development of enterprises under the background of economic crisis. How can better play the role of private capital in the credit industry to mitigate the impact of the economic crisis, is our next step should be considered.

**Advantages study**

After a stage of development, we have clearly seen in the credit industry, private capital into the development of small and medium-sized enterprises is a positive role. The positive role mainly in the following areas:

First, in the context of the current economic crisis, due to the continuous growth of the gross domestic product, China's macroeconomic performance in accelerated recovery is in emerging government fiscal policy effectiveness. But China's economic development is still based mainly government support as the economic development. The acceleration of the macro economic development and the social consumption growth is out of proportion in our country, caused part of the people of our country's economic structure. Because it is easy to develop such a disproportionate lead to economic inflation pressures, while the country's macroeconomic policy is more focused on monetary tightening. So there have been conflicts between national policies and the development of small and medium-size enterprises. This contradiction is reflected in the form of economic recovery already, but slightly lagging development of enterprises. So to resolve this contradiction, put more money into the enterprise to support accelerated development of enterprises. Funds invested here in the way of credit primarily for the injection of funds. National implementation of macroeconomic policies is the moderately tight monetary policy in the background of current economic crisis. So banks on the national government level the loan amount is lower, the high demand and the amount of loan funds formed a relatively big contradiction. In the context of economic crisis, the majority of small and medium-size enterprises in trouble, no support for government funding, can not extricate themselves from the predicament of development. It is necessary to look for other ways to promote the business of running this time. The integration of the injection of private capital becomes was more urgent to provide funding to enable small and medium-size enterprises to be able to run properly in a certain extent, and thus survive the economic crisis. For now, the credit industry to attract private capital into national policies and can ease the contradiction between the development of small and medium-size enterprises.



**Figure 4 : National real estate company purchased land area case since 2008**

We have already mentioned earlier conflicts between national policy and enterprise development through investment funds to solve, but the source of funds is a major problem. In general, the funds should come from the banking sector loans, but under the control of national policy, the loan amount is now limited. So now in the development part of the business, a portion of the funds from the international capital injected by such funds the influx has brought vitality to give the development of enterprises. But the introduction of international hot money has a great risk, because it is a vicious credit investment. Although the performance of invested capital, but it is short of investment, and is entered through non-formal channels of financial markets. Once profits, reaching the purpose of short-term returns, they will quickly withdraw. Funding to the development of enterprises placed in an awkward position, has a very negative impact on the development of enterprises. Due to lack of funds, will be re-introduced international hot money, and then repeat the withdrawal of funds, the introduction of capital, so that the road business development lead vicious cycle. It is severe interference of China's monetary policy, resulting in the malicious impact on the national economy. The economic crisis in the context of economic development, this is undoubtedly worse. Such funds relative to integrate private capital, can promote a more stable development of enterprises, and the status quo in terms of the amount of private capital is relatively large. It can effectively solve the financing problems of small and medium-size enterprises, and also can solve enterprise development financing on the basis of the problem. It can bring some private credit prospects, but also avoid the vicious circle of international hot money brings. Thenational real estate development and construction since 2008 is shown as Figure 5.

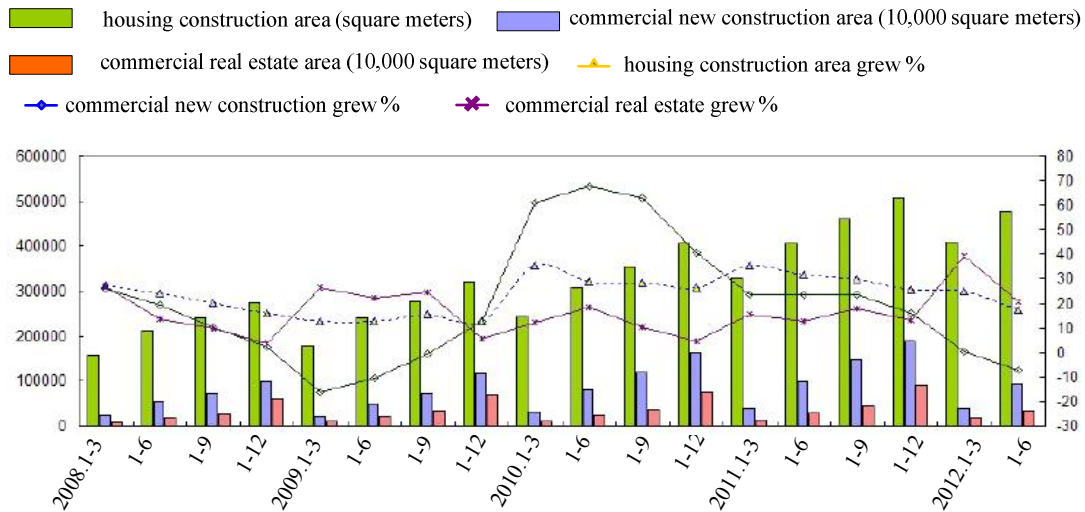


Figure 5 : National real estate development and construction since 2008

The above we are through the national macroeconomic policy and the stability of the folk capital absorbing private capital to the economic crisis in the credit industry was analyzed under the background of promoting effect. In addition, private capital investment can also be an effective use of private civil idle funds, which invest part of the funds before the credit industry, tend to be idle, and integrate the amount is relatively large. If we can effectively use this part of the idle funds, then used as credit funds, after integration in solving difficulties in the economic crisis, financial difficulties of small medium enterprises. On the basis, it is not only to promote the development of small medium enterprises, so that these enterprises to rapidly seize the opportunity to grow, to get rid of the problems caused by the economic crisis. The activation of these funds can make more people benefit, thus contributing to the local economy rebounds, helping the local economy from the negative impact of the economic crisis. This approach has some place to go in a more significant effect.

**Brings challenges**

In the context of the economic crisis, the credit industry absorbed into the private capital can not only solve the contradiction between national policy and small medium enterprise development. And it can promote the development of the economy as soon as possible the negative impact of the economic crisis duly Paul brings. It is also the double-edged sword, it brings opportunities to small medium enterprises, but also to the development of these enterprises and challenges.

Under the influence of national policy, the amount of bank loans has been reduced. Although the development of enterprises in the credit industry can rely on private capital injection, but most companies still prefer to bank loans. Because private credit costs than bank credit is high. Statistics showed that private credit loan interest rate is generally 3%, and even some private credit lending rates as high as 10%, which compared with bank lending rate, is undoubtedly heavier burden of high interest rates. Small medium enterprises need credit funds are generally only need a loan because of financial difficulties. If private credit interest rate is too high, then the pressure of development plus repayment pressure, the development of enterprises will undoubtedly again into another dilemma. After the present, in order to get rid of the negative impact of the economic crisis, many small and medium enterprises in order to develop our country had to rely on private credit, which solves the immediate problem of financial difficulties, but potentially increasing the financial risk. In order to develop the introduction of capital, to develop most of the profits to be used to generate high interest credit burden. In fact, the long term business pressures and risks are potentially increasing, the development of enterprises is extremely unfavorable. The national real estate sales growth since 2008 is shown as Figure 6.

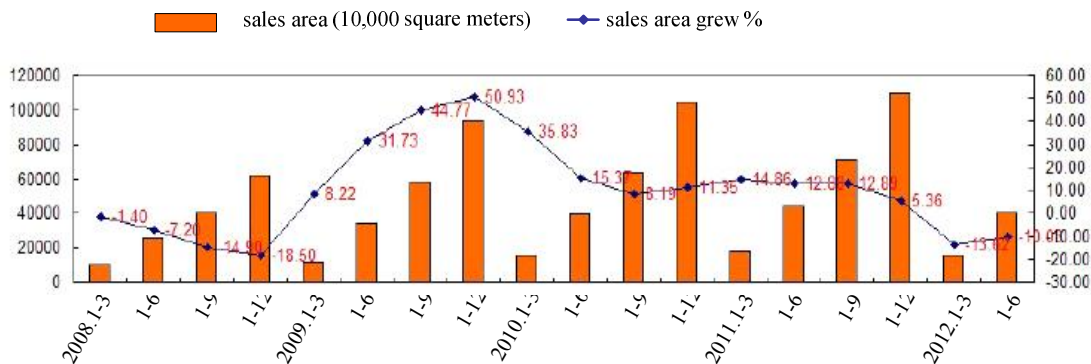


Figure 6 : National real estate sales growth since 2008

Private credit because of its high interest rates, the owner can easily result in funds for the blind pursuit of profit and investment funds, which have a great potential risks. On the one hand civil idle funds invested capital owners aim is to pursue high profits, at the invested capital will ignore some practical issues to consider. Once the question of money owners appear there will be huge economic losses. These issues include whether the actual use of the funds used in the real business development, lender's ability to put high interest and principal, and so on. On the other hand these idle funds are also part of the idle funds from the enterprise. These funds are corporate pursuit of high profits put into the credit markets, but these companies are often not taken into account in the context of the economic crisis. The development of each enterprise has its instability, once idle funds put into the credit markets, when the capital of the enterprises have put financial difficulties or problems. It is prone to the risk of loans, giving enterprises more serious impact, giving both parties a huge loan economic losses. Therefore, in order to avoid economic losses on loans subject, mechanisms folk letter of credit to be perfect.

In addition, private lending is now no regulatory restrictions, its lack of strong and effective supervision. In this environment, once the lack of supervision, it is very easy for speculators abused, the formation of speculative lending, which is a very easy dangerous financial behavior. The crisis of development will bring great enterprise. So when the credit also absorb private capital, not only to consider the problem of the high cost of private credit, but also need the government to strengthen the supervision of private credit, and gradually improve credit mechanism.

### CONCLUSION

In the context of the economic crisis, the credit industry absorbed into the private capital can play the role of a win-win. One hand can enhance the value of capital, the credit industry to promote sustainable development. The other hand can take advantage of private capital, making small and medium enterprises with the help of funds under this part, out of financial difficulties, seize opportunities. Thereby reducing the negative impact of the economic crisis, to the development of China's overall economy has brought a strong role in promoting. However, the credit industry to absorb private capital is double-edged sword, it is not only the development of small and medium enterprises to give a positive role, but also at the same time brings a lot of problems and challenges. To meet this challenge, the paper puts forward some measures forceful intervention from the government in the form of the program and institutional levels. And supervision and development mechanisms should continue to improve, thus ensuring maximized to show the advantages of private capital, so that enterprises out of the economic crisis as soon as possible shadows, and promote China's overall economy rebounds.

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