

# Further Strengthening Financial Supervision and Effectively Preventing Financial Risks

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**ABSTRACT.** *With the continuous development of the economy, the importance of the financial industry in the national economy has become increasingly prominent. Financial activities and people's lives are closely linked. Financial globalization has greatly promoted the economic and financial development of various countries, but at the same time it has brought serious challenges and risks to all countries. Financial supervision plays an important role in preventing financial risks. The degree of financial supervision directly determines the possibility of financial risks. The problems faced by China's supervision are that the information disclosure mechanism is not perfect, the current regulatory legal system is not perfect, and the financial management of local financial institutions is chaotic and the financial supervision work has been weakened for a long time. This has not only triggered financial risks, but also brought heavy pressure on local finance. The purpose of this paper is to prevent financial and financial risks. This paper proposes the basic ideas for improving the financial system and financial supervision system of China's financial enterprises.*

**KEYWORDS:** *Finance; Supervision; Finance*

## 1. Introduction

Since the reform and opening up, China's financial system has undergone major reforms and the financial industry has developed rapidly. While promoting the development of the national economy, finance also hides huge risks, especially the risks of local financial institutions [1]. Finance itself has certain fragility, financial capital has strong interests, and market transaction information has no corresponding symmetry and moral hazard. The experience and lessons of the financial crisis prove that in order to achieve the security and stability of a country or region's economy, besides political stability and coordination of macroeconomic policies, a safe and stable financial system is also necessary [2]. The chaotic financial management of local financial institutions and the long-term weakening of financial supervision have not only triggered financial risks, but also brought heavy pressure to local finance and become unstable factors affecting local finance [3]. If we do not

seriously prevent and resolve it, it will induce systematic and regional financial turmoil, which will bring serious harm to economic development and social stability. As a branch of the central bank, the People's Bank of China will do a good job in preventing and resolving financial risks in its jurisdiction. .

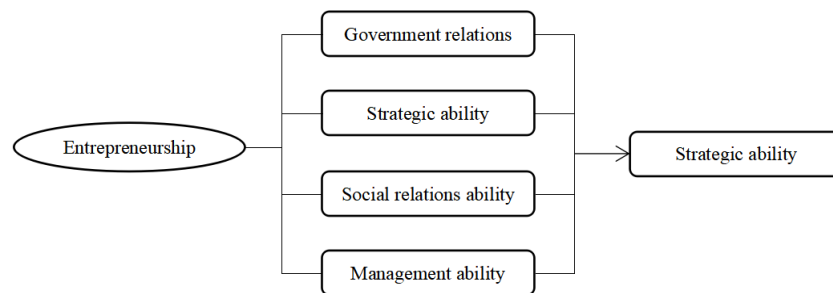
The promotion of the financial industry cannot be used well, and it will generate certain financial risks, which will eventually lead to the outbreak of the financial crisis [4]. Under the conditions of market economy, financial institutions' business operations and assets and liabilities are faced with many uncertainties or risk factors, especially the market risks of interest rate, exchange rate and securities price fluctuations [5]. According to the principle of grading responsibility, the financial risks of state-owned banks are ultimately resolved by the central government, and the risks of local financial institutions are covered by governments at all levels [6]. To establish and maintain the security and stability of the financial system, in addition to a stable political and economic environment, it must also have a sound financial governance structure and implement strict standards of prudential supervision [7]. Financial and financial supervision plays an important role in preventing financial and financial risks. The degree of financial and financial supervision directly determines the possibility of financial and financial risks. The problems faced by China's supervision are that the information disclosure mechanism is not perfect and the current regulatory legal system is not perfect. The current laws and regulations should be further improved, a risk early warning system should be established, and a financial supervision model with Chinese characteristics should be fostered.

## **2. The Necessity of Financial Supervision on Financial Institutions**

Financial status determines that the objects of its supervision are very extensive, that is, financial supervision is inevitable in all fields of financial revenue and expenditure, financial management business and implementation of national financial and accounting policies. The management of some financial institutions focuses on the corresponding businesses. They have not paid much attention to financial control, and the financial control function of financial institutions has not been fully demonstrated. They cannot play the role of preventing and monitoring financial risks. No matter from the international development trend or from the actual situation of our country, to effectively prevent and resolve the financial risks in our country, we must realize the change of supervision system and supervision mode as soon as possible, and we must change from administrative and compliance supervision to prudent risk supervision [8]. As a result of the development of the international financial market, some countries with unbalanced balance of payments have been given the convenience to use their surplus funds to make up for their balance of payments deficits. In accordance with the spirit of the relevant documents of the People's Bank of China and its own realities, financial institutions have taken certain measures to strengthen accounting management, strengthen self-discipline, and guard against financial accounting risks, and have received good results.

There are no fixed procedures and procedures for the flow of funds of financial

institutions, and the preparation of laws and regulations is not sufficient. The phenomenon of reporting and escrow is widespread. Regardless of the direction of development of the enterprise, the business development of the enterprise is ultimately affected by the performance of the enterprise. Therefore, we propose a hypothesis model, and the four capabilities that entrepreneurs have have a positive effect on the company's international entrepreneurial performance. As shown in Figure 1.



*Figure.1 Research model*

Risk prevention focuses on local financial institutions. With the deepening of financial system reform, local financial institutions with rural cooperative finance as the main body are developing rapidly, which will play an important role in regional economic development. In order to recognize the weak links and loopholes in financial supervision as soon as possible, improve its financial supervision system as soon as possible, implement prudential supervision standards and improve the supervision level. As an important component of the socialist market economy, financial institutions that implement the state's fiscal and taxation regulations and financial accounting policies are bound to accept the supervision of the financial sector [9]. Since the price of the securities market is constantly fluctuating, when the value of the securities assets is determined by the market price, it may happen that the value of the securities assets rises above the cost at the time of purchase, or depreciates below the cost at the time of purchase. Strengthening the accounting supervision of financial institutions is the need to regulate the operation of accounting institutions in financial institutions and ensure the healthy and stable development of financial institutions.

### **3. Preventing and Resolving Financial Risks**

#### ***3.1 Improving the Understanding of Financial Supervision***

With the development of financial globalization, international financial turmoil has become the norm. Changes in capital flows have a huge ripple effect and amplification effect, making all countries live in an uncertain world. The current

reform of the rural financial system is of great significance. Its success or failure will have a great impact on the reform of the financial system. If it is not carried out carefully, people will run on deposits and social unrest will occur. In order to further promote the safe and healthy development of financial institutions, promote fair competition, and give full play to the role of bank capital in resisting various financial risks [10]. No matter what form of restructuring an enterprise takes, it must carry out its debts properly. If it finds that there are debts that have been evaded or cancelled, financial institutions must promptly put forward rectification opinions. On the basis of authenticity, the financial department can directly show the actual situation of enterprise development according to the corresponding data and relevant information, in-depth study of existing problems and some potential risks. In addition, relevant measures are formulated to ensure the long-term, sustained and stable development of enterprises. Market structure affects enterprise behavior, so the degree of market power can be observed through market concentration. In the case of low saliency level, customer management ability has a relatively large impact on marketing performance. The other two sub-indicators, market learning ability and marketing promotion ability, also have a significant impact on marketing performance, but to a lesser extent. Table 1 shows the estimation of structural parameters and significance test of performance indicators.

*Table.1 Performance indicator structure parameter estimation and significance test*

Path description	Path coefficient
Market Learning Ability → Affect Performance	2.46
Marketing Ability → Marketing Performance	2.51
Customer Management Ability → Marketing Performance	2.83

If the authenticity of the accounting work cannot be guaranteed, it will cause extremely adverse effects on the decision-making of the enterprise and irreparable losses to the enterprise. Securities assets, especially creditor's rights securities assets, also have great credit risks. Therefore, sufficient loss reserves should be set aside for securities assets and losses on securities investment should be promptly eliminated. Safeguarding financial creditor's rights is not only the responsibility of financial institutions, but also the obligation of all sectors of society. Although the falsity of financial accounting information can guarantee the current economic benefits of enterprises, it has seriously affected the long-term economic benefits of enterprises and even damaged the interests of the whole country and society. Once the financial service market is opened, we must face up to the impact of international hot money. The pursuit of high profits by international hot money leads to the increasing scale of virtual capital. Governments at all levels and financial departments must proceed from the height of maintaining the country's economic order and social stability, conscientiously implement the relevant state laws, regulations and policies, and do a solid job in enterprise restructuring and financial creditor's rights preservation.

### ***3.2 Establishing and Perfecting Financial Supervision System***

Assessing and evaluating the performance of local financial enterprises is an

effective way for financial departments to supervise local financial enterprises on behalf of the government, and to prevent and resolve the risks of local financial enterprises. As the supervisory responsibility of the people's bank at the grass-roots level is very important, especially the main leaders of the grass-roots banks, we should treat the stability of the region's finance and the promotion of local economic development at a strategic height, and have a comprehensive understanding of the financial risk situation in the whole jurisdiction. Regardless of the international development trend or the actual situation of our country, in order to effectively prevent and resolve the financial risks of our country, we must realize the transformation of the supervision system and mode as soon as possible. China's financial market continues to open to the outside world, leading-edge financial concepts and new types of financial business make people's economic life have undergone tremendous changes, of course, also increased many financial risks. Fiscal policy and monetary policy are the two major means for the country to implement macro-economic control. Fiscal strengthening the supervision of the financial industry is conducive to the realization of the coordination between active fiscal policy and stable monetary policy.

It determines that Chinese enterprises cannot compete with multinational companies in research and design, but only in some factor costs with comparative advantages. The existence of agency problem makes the time preference of asset managers inevitably internalized in the investment decision-making activities of financial institutions. The comparison data of financial situation risks are shown in Table 2. The data relationship between risk weight value and evaluation value of financial situation is shown in Figure 2.

Table.2 Financial situation risk comparison data results

	Return on assets	Marginal cost rate
Return on assets	0.61	0.71
Marginal cost rate	0.52	0.63

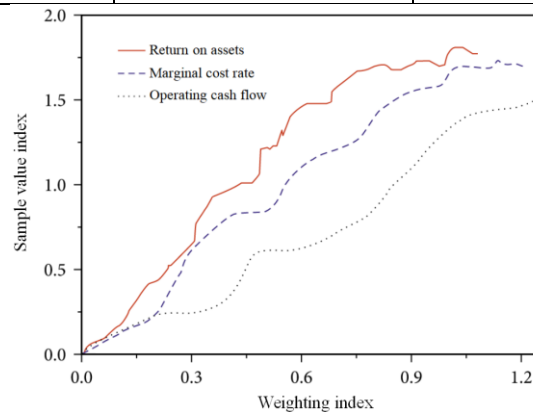


Figure.2 Relationship between financial position risk weight value and evaluation

*value data*

Financial enterprises can be said to be a knowledge-intensive industry, and the problems arising from the development of the industry are often difficult to encounter before. As the price of the securities market fluctuates frequently, when the securities assets are sold at the market price, it will happen that the sales income of the securities is higher than the cost at the time of purchase to form a premium income, or the sales income is lower than the cost at the time of purchase to form a loss. Financial supervisors of financial enterprises need not only good professional skills and modern knowledge of financial supervision, but also comprehensive analysis and prediction of financial supervision. With the development of social economy and the increase of financial institutions, some financial institutions still have irregularities such as non-compliance with regulations and illegal operations in the process of handling accounting business. Fluctuations in interest rates or repricing of liabilities may directly affect the cost and final income of liabilities. Financial institutions must set up sufficient interest reserves to account for the cost and final income of liabilities on this basis.

#### **4. Conclusions**

One of the main tasks of financial supervision is to timely and accurately judge the status and depth of early warning of financial risks. We should learn from foreign experiences and gradually establish and perfect a financial risk early warning system. If an enterprise evades taxes, it shall promptly make up the tax and punish it in accordance with the fiscal and taxation regulations. The determination of management content should be based on the relevant laws and regulations of our country so as to set up an accounting internal control system corresponding to laws and regulations. The actual business situation of financial enterprises should be taken as the reference point, and from the perspective of changing the management mode of financial enterprises. As soon as possible, we should formulate measures for risk management and market withdrawal management of financial institutions, improve procedures and measures for market withdrawal, and exercise strict supervision over changes, terminations, mergers and bankruptcies of financial institutions. China's financial industry must adapt to the general trend of international development and the requirements of prudent supervision, establish and improve the disclosure system of financial information as soon as possible, continuously improve the transparency of China's financial operation and the operation of financial institutions, and constantly strengthen the market's binding role on financial institutions.

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