The Future Of China Industry

The future of China industry is expected to grow through managing the plan significant portfolio while minimizing the overhead cost. The business can be expanding by targeting the market for business as well as individual. The World Microfinance Forum helps leading stakeholders to take well-informed decisions that ensure the translation of good intentions into effective access for all. In line with this mission. Representing more than 20% of the world's population, China is rising fast in terms of wealth, prosperity and geopolitical influence but still has a considerable proportion of its population below the poverty line. While the concerted effort to provide poor and rural populations with access to financial services dates back a long time, a more market oriented approach to inclusive finance is still in its infancy.

The company is incorporated in 1980s, registered in United Kingdom. It is a micro finance private entity, operating with mission that provide "microcredit" to the entrepreneurs. Since 1980's, has provide lending as well as savings services to people in developing world considered "un bankable" by formal financial service institutions. By operating as a profitable private-equity funded business in the microfinance market. The company seeks to modernize and to grow the world's microfinance industry. The company maintains a dual mission of providing reasonable capital to "un bankable" individuals while operating an efficient, profitable business.

The company was founded to be a business concentrates for providing the following services:

- Insurance
- Trade finance
- Checking Accounts
- Saving Accounts
- Debit & Credit Cards
- Merchant Services
- Cash Management
- International commodities
- Consulting Services etc.

Company structure & shareholding

Company is listed on the main London Stock Exchange with a roster of institutional shareholders, the largest of which is an insurance company with a 6% stake. You and the other directors collectively own around 1.5% of the company. Capitalization cost of company is £440 million. The business's clients are UK based in the main with 85% of the turnover and 90% of the profits after tax coming from London commodity traders and brokers. There are a few European based companies who provide the rest of the business.

Financial performance

The financial performance of company over the past year annually is mentioned below.

Sr no. Description figures in millions

1 Turnover £ 500.00

2 Net Profit £ 60.00

3 Profit After Taxation £ 45.00

Competitive advantage

The worldwide financial service market is large, growing at a rate of 30 % annually. The worldwide financial market is estimated to be £ 270 billion, with current annual cash turnover of £ 2.5 billion. The UK market is £ 300 million, with £ 50 million being borrowed at the rate of averaging 60 %. There are more than 20 significant bodies in UK providing microfinance services, with no single one holding more than 13 % of market share.

Business models

Company uses 4 business model with major components:

1. Local and economical labor
2. Market saturation in cooperative financing
3. Cost can be externalizing by partnering with third parties
4. Use of effective technology

The company has operated without any assistance of grants since start of the day one for over years while also providing healthy returns to its financial sponsors. Moreover, company lends at rates of 31 – 34 % percent, two thirds of the average competitor's rate. Organization & management

The managers and directors who have worked together since the beginning of operations in 1980’s, boasting over many years of experience in the microfinance industry.

- Board of Directors
- President
- CEO
- General Manager
- Portfolio Manager

Operations

Operations and management has years of successful, profitable lending experience in the UK market. The company has developed successful activities for ensuring it is providing excellent service and developing strong relationships with solid customers, ensuring that the loans will be repaid.

Why China?

Financial institutions of china are becoming more aggressive about expanding outside their home country. While financial services moderated in the third quarter, overall services growth accelerated from 8.3 per cent in the first half to 8.6 per cent in the third quarter, well above the 6.9 per cent growth of the broader economy. Financial services were the biggest contributor to overall service-sector growth in the first half of the year. As the Chinese stock market boomed, trading commissions and other stock services pumped up brokerage profits. But after the market tumbled, analysts expect to decline in financial services to drag down the broader services sector.

Trade barriers

China has a complex and rapidly-evolving tax system. Against this backdrop, the authorities are continuing to strengthen the administration of tax in relation to non-resident enterprises. China's tax authority has launched the value-added tax pilot programme. This has been designed to gradually replace Chinese business tax by VAT and decrease the overall tax burden of tax payers. It was initially launched in Shanghai and now reaches across China.

- The government will not set the foreign ownership limits for investment in to management of wealth corporations which set up by commercial banks by the end of 2018.
- Gradual opening of China's financial services sector in recent years, foreign services firms still only account for a small percentage of the market and the new moves are unlikely to lead to significant changes as big state-invested corporations have a powerful presence in those businesses.
- China will raise the ownership limit to 51% within a fully scrap the restriction in three years.
- The government will also be able to remove a requirement that foreign brokers must have a representative office in China for two years before they can set up a company, further enabling foreign access to the insurance sector.
- United Kingdom should deal with their issues in a rational way and that the China-U.K. goods and services trade should balance out in future.

Advantages of expanding

In 2008, foreign direct investment in China grow to 108 billion US dollars making the country's economy the largest in the world second. With a labour market both large in size and high in quality and a government so committed to international development.

- High level of managerial control
- Can employ own people without restrictions
- Greater flexibility
- Can convert profits into local currency
- Greater level of protection
- Mandatory for some industries
- Opportunity to utilise existing sales networks and customer base
- Access to partner's existing resources
- Production facility
- Lower cost base (local management)

- Quick to set up
- Low cost (low overheads)
- No registered capital requirement
- Good for marketing, partner auditing and admin

China industry

China is a vast country and as such, there is considerable variation in the size and business practices of local markets. Foreign investors are strongly encouraged to carefully consider the location of their operations at an early stage. Local resources vary from region to region, as does the quality of local government assistance (financial or otherwise) given to non-resident enterprises. China has very good relationships with government authorities across United Kingdom. These relationships help UK clients to access the support they need and to understand the full range of regional benefits and incentives that may be available.

Financial projections

Industry analysis is a vital part in the investment process, in order of industry analysis to make sure that money is disbursed on the right place. In certain stocks or companies, need to be sure that the overall industry trend is growing rather than declining.

Strengths weaknesses

- Government Structure results in quick decision making
- Extremely strong brand, Capital strength and access to funding through global markets
- Cheap compared to worldwide markets
- Stable Employment - Under-Capitalized Banks
- Weak round of economic data
- Pressure to hit 7.5 % yearly expansion
- Slowing IP Growth
- Falling profitability is substantially because of dismal investment markets
- Scale dis-economies for financial services organizations

Oppurtunities threats

- 100 Million expected to move into city by 2020
- Potential agreements with other exchanges - Continued erosion of market share
- Volatile financial markets and low interest rates
- Increased competition from banks

PEST analysis

Political:

Government policy has a significant effect on financial industry. In those industries, government policies could have huge impact on industry players who are influencing, strategic planning, financial performance and stock price of those corporations. The effect of the government policy is noticeable in Developing Markets. China foreign investors could not hold controlling interest in financial institutions. On other hand, government encourages foreign investors to invest in retail chain business.

Economic:

Economic factors generally include the economic growth, interest & exchange rates, tax policy and the inflation rate. Some industries of china influenced by certain factors such as financial services industry is pretty sensitive to change in interest rate and companies have incredible overseas exposure to pay special attention on exchange rate movement. Comparison of economic growth and inflation rate actually used to measure the health of a country economic growth. To invest in high growth economy with stable inflation rate could be an attractive place.

Social:

Socio cultural forces can have a deep impact on the financial institutions. Changing social trends and people's preferences affect the business and growth of financial institutions. The millennials whether students or professionals make use of credit cards for small and big transactions. It is also worth saying that many people in China, like the citizens of other emerging economies, average wage level has gone up over the years resulting in an increase in consumer spending.

Technology:

Technology factors include technological aspects of country, such as R&D activity, automation, technology factors effects on financial institution helps to identify potential markets and build up economical advantage. Penetration rate in China is much higher than of Brazil and consumers in the US market.

Porter five forces

- Power of Buyers: Consumers bargaining power is high because financial institutions provide homogeneous kind of services and consumers can get all information very easily so the switching cost is low for the customers.
- Power of Suppliers: In financial institutions suppliers bargaining power is low because institutions have to meet many regulatory.
- Competitive Rivalry: Competition in financial institutions is very high because of large number of public, private, foreign and cooperative institutions.
- Availability of substitutes: High threat from substitutes such as mutual funds, T- Bills and government securities etc.
- Threat of new entrants: Financial institutions regulations require the approval of the regulator before expanding a financial institution, so the threat of new entrant's law.

Microfinance industry of china has been developing for the last fifteen years, few microfinance institutions have achieved sustainability. Foreign investment in China's financial institutions and the prospects of further opening of the banking sector under the WTO agreement constitute. Trends of 2004 present: foreign investors' interest strengthened further, as reforms in the large state-owned financial institutions gathered speed and as the government began to permit higher foreign ownership. Since 2004, foreign investors have entered in largest financial institutions, such as Hong Kong and Shanghai Banking Corporation (HSBC) of China.