A Study on the Risk Assessment Effect of Hainan's Non-Financial Enterprises' Shadow Banking Transformation under Two-Way Cross-Border Capital Flows

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Abstract: Based on cross-border capital flow management policies and corporate practices in free trade ports, this study systematically analyzes the driving factors and risk transmission mechanisms behind shadow banking activities among non-financial enterprises. It identifies existing challenges including regulatory arbitrage, inadequate information disclosure, weak corporate governance, and lagging cross-border risk prevention measures. The research proposes risk management strategies from four dimensions: regulatory system enhancement, corporate governance optimization, cross-border collaborative risk control, and market mechanism development. These findings provide theoretical references and practical support for standardizing cross-border capital operations of non-financial enterprises in free trade ports and preventing systemic financial risks.

***Keywords*:** two-way cross-border capital flows; Hainan Free Trade Port; non-financial enterprises; shadow banking; risk assumption

1. Introduction

In recent years, non-financial enterprises in Hainan Free Trade Port have increasingly exhibited shadow banking tendencies. Leveraging cross-border capital flows, some companies have channeled substantial funds into high-yield shadow banking operations, resulting in reduced real economy investment and heightened financial risks. Research indicates that for every unit increase in non-financial enterprises' engagement with shadow banking activities, their average risk exposure rises by 0.197 units—a phenomenon particularly pronounced in firms with severe information asymmetry and weak corporate governance. Against the backdrop of expanding cross-border capital flows and an evolving regulatory framework in the free trade port, systematic analysis of risk exposure patterns and governance strategies for shadow banking practices among non-financial enterprises holds critical significance for safeguarding financial stability and fostering high-quality development of the real economy.

2. Driving Factors and Risk Transmission of Shadow Bankingization in Non-financial Enterprises in Hainan Free Trade Port

2.1 Driving Factors

The benefits of cross-border capital flows: Policies such as facilitating cross-border trade settlements in free trade ports and reforming foreign debt management have lowered the barriers for enterprises to move capital across borders, providing funding sources and operational space for shadow banking [1]. Some enterprises exploit interest rate and exchange rate differentials between domestic and international markets to engage in shadow banking activities through cross-border wealth management and offshore trusts, thereby generating excess returns.

Profitability pressure in the real economy sector: Specialized industries in free trade ports such as tropical agriculture and tourism are affected by market fluctuations and rising costs, leading to narrowed profit margins. In contrast, shadow banking operations demonstrate significantly higher return rates compared to real investments, attracting enterprises to shift from the real economy to virtual sectors.

The regulatory framework remains inadequate: Cross-border financial supervision in the free trade port is still in the exploratory stage, with insufficient mechanisms for identifying, monitoring, and regulating non-financial enterprises' cross-border shadow banking activities, creating regulatory gaps and arbitrage opportunities [2].

2.2 Risk Transmission Mechanism

Accumulation of financial risks: Shadow banking operations are characterized by high leverage and liquidity risks.

Enterprises often allocate substantial funds to non-standard assets and entrusted loans, which may lead to liquidity constraints and exacerbate debt repayment pressures. Cross-border shadow banking activities also face additional risks such as exchange rate fluctuations and overseas market volatility, further amplifying financial risks.

Declining investment efficiency: Corporate resources are increasingly allocated to shadow banking operations, diverting funds meant for R&D and industrial capacity upgrades in the real economy. This results in lagging core business development, creating a vicious cycle where financial investments crowd out real investment [3]. Systemic risk transmission: The shadow banking activities of non-financial enterprises form cross-institutional and cross-market capital chains. Any risk at a single node can easily spread across the entire financial system through cross-border capital flows, jeopardizing the financial stability of free trade ports.

3. Existing Issues in Risk Bearing of Non-financial Enterprises in Hainan Free Trade Port Facing Shadow Banking Risks

3.1 Regulatory arbitrage is prominent, with deficiencies in the regulatory system

First, regulatory standards lack uniformity, with no unified criteria for defining, monitoring, or regulating cross-border shadow banking activities of non-financial enterprises. Some companies circumvent oversight through off-balance-sheet operations and cross-border transfers. Second, regulatory technology remains outdated, as no real-time monitoring system covering cross-border capital flows has been established, making it difficult to accurately identify covert shadow banking practices. Third, insufficient coordination among regulatory bodies—particularly in commerce, finance, and foreign exchange management—has led to poor information sharing and created regulatory blind spots.

3.2 Insufficient corporate information disclosure and weak governance structure

Non-financial enterprises lack mandatory disclosure requirements for shadow banking activities. Most companies fail to adequately disclose critical information such as the scale of cross-border shadow investments and risk profiles, exacerbating information asymmetry. Meanwhile, some firms suffer from inadequate corporate governance structures, with boards of directors and supervisory committees failing to effectively oversee cross-border capital operations. This has led management to pursue short-term gains through reckless expansion of shadow banking businesses [4].

3.3 Lagging cross-border risk prevention and control with insufficient response capacity

Enterprises lack a professional risk management system for cross-border shadow banking operations, demonstrating weak capabilities in identifying and hedging exchange rate risks and overseas credit risks. Most companies have not established contingency plans for cross-border capital flow risks, making it difficult to effectively respond to unexpected situations such as overseas market fluctuations and policy adjustments.

3.4 Lack of market restraint mechanisms and insufficient guiding effect

The free trade port has yet to establish a market evaluation system targeting the shadow banking activities of non-financial enterprises, making it difficult for investors and creditors to curb such "de-realization" practices through market signals. Additionally, the absence of a market-based risk-sharing mechanism leads to excessive concentration of shadow banking risks within enterprises themselves, exacerbating their risk-bearing pressures.

4. Risk Management Pathway

4.1 Improving the Cross-border Financial Regulatory System

Clarify regulatory rules: Develop detailed regulatory guidelines for cross-border shadow banking activities of non-financial enterprises in free trade ports, defining business scopes, regulatory standards, and penalty mechanisms to eliminate regulatory arbitrage opportunities [5]. In line with the requirements of the "Opinions on Strengthening Business and Financial Synergy to Support High-Quality Development of Cross-Border Trade and Investment," enhance policy coordination.

Enhancing technological empowerment: Establish a big data monitoring platform for cross-border capital flows, integrating corporate cross-border revenue and expenditure data as well as investment and financing information. Utilize artificial intelligence and blockchain technologies to enable real-time identification and early warning of shadow banking activities.

Establish a coordinated mechanism: Develop a collaborative supervision framework involving commerce, finance, and foreign exchange management departments to achieve information sharing, joint law enforcement, and form a synergistic regulatory force.

4.2 Optimizing Corporate Governance and Information Disclosure

Enhancing corporate governance: Strengthening the board of directors' supervisory responsibilities over cross-border capital operations, establishing an internal control mechanism that separates decision-making, execution, and oversight in shadow banking activities, and mitigating managerial moral hazards.

Enhance information disclosure: Require enterprises to compulsorily disclose information on the scale of cross-border shadow banking activities, investment directions, and risk profiles to improve operational transparency. Incorporate shadow banking activities into corporate credit rating systems to guide enterprises in focusing on their core businesses.

4.3 Establishing a Cross-border Risk Collaborative Prevention and Control Mechanism

At the enterprise level: Establish a specialized cross-border risk management team to utilize tools such as foreign exchange hedging and cross-border insurance for hedging exchange rate and credit risks. Reasonably control the scale of shadow banking activities, set risk limits, and avoid excessive speculation.

At the industry level: Establish an association for cross-border capital operations of non-financial enterprises in free trade ports, formulate industry self-regulatory guidelines, and guide enterprises to conduct cross-border business in a standardized manner.

At the governmental level: Establish a cross-border financial risk compensation fund to provide risk-sharing support for enterprises [5]. Develop a risk emergency response mechanism to prevent the spread and escalation of risks.

5. Conclusion

By enhancing cross-border financial regulatory frameworks, optimizing corporate governance and information disclosure, establishing coordinated cross-border risk prevention mechanisms, and strengthening market guidance and support, we can effectively regulate shadow banking activities of non-financial enterprises, prevent excessive risk exposure, and guide capital back to real industries. Moving forward, as free trade port operations advance and regulatory systems continue to improve, it is essential to dynamically adjust risk management strategies. This will help strike a balance between facilitating free cross-border capital flows and effectively controlling financial risks, thereby ensuring high-quality development of the real economy and financial stability within free trade ports.

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