

Study on the Development Strategy of Chinese Pawnbroking

Kunfeng Wang

Shanghai Yinling Equity Investment Fund Co., Ltd, China

James Ming-Hsun Chiang

Beijing Academy of Science Education, China

Haiou Hu

School of Management, Fudan University, China

Michel Plaisent, Prosper Bernard

University of Quebec in Montreal

michelsica@gmail.com

Abstract:

Pawnbroking industry is an ancient industry. Since the reform and opening up, China's economic system has changed, the original economic pattern has been thoroughly broken, the private and individual economic development has been rapid, which has led to significant changes in the pattern of fund allocation. However, the National Bank has not enough capacity to meet the demand and supply of private funds. With the increasing demand year by year, pawn as a credit industry provides SMEs with "short, flat and fast" financing functions. As a new financing channel and financial means, pawn plays a variety of roles in economic society, such as rescuing the emergency, picking up the missing items, actively circulating, supporting production and so on. With the rapid development of economy and society and the establishment and perfection of market economy system, the asset structure and capital demand of enterprises and residents are characterized by diversity, which is a good development opportunity for pawnbrokers. Nowadays, the market competition is becoming more and more fierce. Under the premise of adapting to the objective needs of macroeconomic development, how to choose a suitable development strategy to survive and develop in the fierce market competition is an important issue that needs to be solved urgently at present.

Key words: pawnbroking industry; development strategy; economy, market competition, fund allocation

1. Background and Motivation

The policy of reform and opening-up and the establishment of market economy have revitalized the pawnbroking industry in China ("On Pawnbroking Legislation," 2014). But at the same time, pawnbroking has been controversial since it came back in the 1980s, and the opinions of all parties are mixed (Xinsheng, n.d.). The proponents regard pawnbroking as a new trunk line of fast financing and a special soldier for relieving difficulties and emergencies, and advocate continuing to promote its development; the excluders regard pawnbroking as a "three-high" industry, i.e. high threshold, high interest and high return, which is the residue of the old society, and advocate restriction. Contradictory state of mind makes the relevant policies of the country waver. On the one hand, pawn license issuance is increasing; on the other hand, the legal status of pawn laws and regulations has been at a low level because of too many restrictions on business ("Article 211," n.d.). It seems that there is still a narrowing idea of gradually opening up the scope of business, even in a hurry in the periphery. Water testing has obvious substitution effect on pawnshop, and micro-loan companies also want to liberalize private lending and so on.

The expansion of pawnbrokers' scale has led to competition within the industry, while the involvement of investment, trust, guarantee, consignment, leasing, auction and other industries has contributed to the intensification of competition among industries. Compared with the pawnbroking industry, the above-mentioned industries are much less regulated and can play the policy edge ball more flexibly, which makes the pawnbroking industry in the ascendant trend to be seriously marginalized. The development of pawnbroking industry is at a crossroads. Because of the influence of traditional concepts and the lack of a certain scale, pawnbrokers seldom take the initiative in marketing and have no more systematic development strategy. Therefore, it is difficult to gain advantages in the fierce market competition. Therefore, it is urgent to systematically study the current situation, find a way out for the development of the industry and formulate a long-term development strategy ("Research on the current situation," n.d.).

2. Research purposes

The purpose of this study is as follows:

1. The overall operation scale of Pawnbroking is expanding continuously, and the whole industry is in a moderately rapid development stage. In recent years, as the new pawnbroking management methods provide reliable policy basis, pawnbroking business areas continue to expand, social service functions continue to strengthen, business performance steadily increased, pawnbroking industry is sought after by social investment (Xiaohong, 1999)..

2. Pawnbroking service object and variety structure are constantly optimized, and the

ability to adapt to the market is constantly improving. Traditional pawnbrokers mainly serve individual residents, most of whom are living in poverty. The main pawnbrokers are family valuables. Nowadays, pawnbrokers mainly serve "wealthy people" such as private enterprises, individual business owners, etc. The pawnbrokers mainly use real estate, gold and silver jewelry, motor vehicles and securities.

3. Pawnbrokers' awareness of operating in accordance with the law and their ability to operate in good faith are increasing (Feng, 2002). China's pawnbroking industry has gone through a process from disorder to governance and from disorder to regulation since its resurrection (Jun & Xianda, 2013). The People's Bank of China has carried out two major clean-ups during the period of supervision. After the former State Economic and Trade Commission took over the pawnbroking industry, together with the Ministry of Public Security, it has also carried out a comprehensive clean-up and rectification of the pawnbroking industry throughout the country, and has successively revoked and banned a number of pawnbroking industries. Illegal pawnbrokers and operating agencies engaged in Pawnbroking Business illegally issued new pawnbroking management measures, which effectively purified the pawnbroking market and maintained the Pawnbroking Business order. Since then, the pawnbroking industry has continuously established the concept of rule of law, established the idea of operating according to law, and the whole industry has entered the track of comprehensive and standardized development.

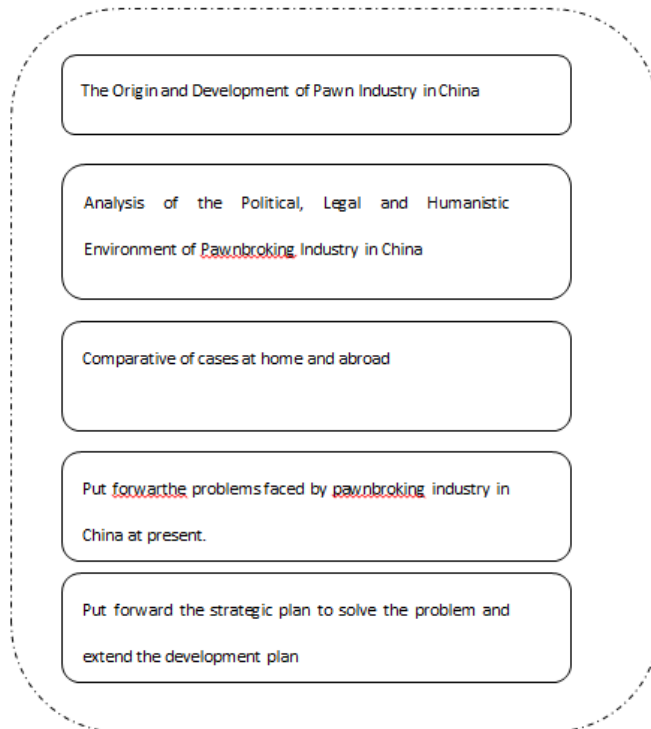
At the same time, the problems and solutions faced by the pawnbroking industry development are derived, which can be used for reference for the stable development of pawnbroking industry in China in the future.

3. Research methods

- (1) This paper systematically reviews the development process of pawnbroking industry in China by using historical analysis method, and on the basis of accurately grasping the historical context of pawnbroking industry development, gives examples to analyze the current situation and development of pawnbroking industry in China (Chang, n.d.; Wangqun, n.d.)
- (2) To make a comprehensive comparative analysis of China's pawnbroking industry with that of other countries in the world by means of comparative analysis, and to put forward suggestions for the development of pawnbroking industry suitable for China's national conditions (Runming, n.d).
- (3) The research method of integrating theory with practice is to theoretically analyze the emergence, development and realistic problems faced by the pawnbroking industry, and put forward targeted solutions and extended development strategies of the pawnbroking industry.

4. Research framework

Based on the comparative analysis of domestic and foreign pawnbroking industry research, this research framework, on the premise of analyzing the history (Chang, n.d.) and current situation of China's pawnbroking industry, puts forward the current problems and effective solutions of pawnbroking industry development in China, and innovatively puts forward the extension development strategy of pawnbroking industry. The research framework is as follows:



5 Facing challenges

1. From a commercial point of view: the laws and regulations of pawnbroking industry in China are imperfect, and the Pawnbroking Management Measures is the highest statute of the pawnbroking industry. However, as far as its legal level and effectiveness are concerned, it belongs to the administrative regulations only, with a low level and effectiveness. Secondly, we can not "absolutely" more than 30,000 yuan, losing the original characteristics of pawnbrokers, making the pawnbrokers now encounter barriers in the return of funds.

2. From a political point of view: since modern times, the pawnbroking industry has been regarded as the representative of the feudal exploiting forces and the concentrated embodiment of usury capital. "Low discount, high interest rate, short time, has always been valued by the poor." In addition to high-profit exploitation, pawnbrokers also "take advantage of the danger of others", arbitrary valuation of the value of the goods, squeezing the poor. It is precisely because of this recognition that our country has always been biased against the pawnbroking industry, which leads to the starting point of legislation is to protect the "weak", but now Pawnbroking is the real weak. Secondly, administrative intervention will interfere with court decisions and enforcement (Yali, n.d.).

3. From the perspective of public opinion, "Lao Lai" culture prevails, and the level of moral quality is low, which brings great difficulties to the reasonable operation and legal requirements of pawnbrokers.

6. Solution

1. Applying the transfer of creditor's rights reasonably and skillfully to the pawnbroking industry can realize the quick return of funds and solve the problem of financing in the pawnbroking industry to a certain extent.

2. Proposed the new application of the trusteeship of equivalents. The trusteeship of equivalents is carried out in the third-party asset management company. According to the contract of sale signed at the beginning, the equivalents are dealt with reasonably, and the real absolute is realized.

3. According to the "Golden Triangle" enterprise pattern theory, put forward the corresponding opinions. The acquiescence of the national government can ensure the development environment of pawnbrokers. Local governments support pawnbrokers to a certain extent, and pawnbrokers themselves need to develop and innovate. If we use heaven and earth people to describe that is: the central government is heaven, the local government is earth, pawnbrokers are people, heaven and earth are very large, there is one heaven and many earth, do a good job of heaven, is to expand the earth. Handle the relationship between the central government, local government and pawnbrokers, and create an environment conducive to their vigorous development.

4. Actively solve the problem of Lao Lai, safeguard moral standards, reverse the unhealthy social atmosphere and improve moral quality (Xiaohong, 1999).

7. Future Development Trends

On the whole, pawnbroking industry will usher in a high-speed development stage in the next few years under the national macro-management and planning. At the same time, due to its high overall profitability and large industry space, the competition in pawnbroking industry will become increasingly fierce under the impetus of various capital. As far as the development trend of pawnbroking industry is concerned, pawnbroking industry will develop towards a more rational layout, continuous business innovation, scale operation, scientific decision-making and information system.

(1) More rational layout

Although the pawnbroking industry is an industry with higher return on investment, it is also an industry with higher operational risk. As far as the current layout of pawnbroking industry in China is concerned, there are some unreasonable aspects. In some areas,

pawnbroking industry develops too fast, resulting in fierce competition in the industry. However, in some areas, individual pawnbrokers monopolize the market. Excessive competition and monopoly are not conducive to the development of pawnbroking industry. Pawnbroking industry should be in a benign competition ring. Under this circumstance, the healthy and orderly development will inevitably result in the macro-control and management of the regional layout by the state administrative departments. Therefore, every year, the State formulates a development plan for pawnbroking industry, examines and approves pawnbrokers according to the number and scale of existing pawnbrokers and the local economic development. Through such industry management, the pawnbroking industry will be promoted to adapt to local conditions, develop steadily, plan as a agemewhole, arrange reasonably, compete moderately and regulate fund mannt. Thus the overall operational risk of pawnbroking industry can be effectively reduced (Zhigu & Xinsheng, n.d.).

(2) Continuous business innovation

With the development of economy, the demand for funds is on the rise. This requires pawnbrokers to develop new pawnbrokers while doing their existing business well. On the basis of traditional pawnbroking business, automobile, real estate, securities and other new businesses, pawnbrokers should develop pawnbrokers according to the market demand. Innovation to promote industry development. For example, Shanghai Oriental Pawnshop has developed many new businesses according to market demand, such as tourism financing treasure, auction financing treasure, overseas study financing newspaper, health Antai financing treasure, art life financing treasure, venture financing treasure and other new businesses. These businesses have greatly expanded the pawnbroker's development and profit margin.

(3) Realizing scale operation

Scale operation is the future development trend of pawnbroking enterprises. In this respect, the development of pawnbroking industry in developed countries such as Britain and the United States can provide us with reference. Scale operation will be the core of pawnbroking enterprises to achieve their business strategies and objectives. At present, it has the following forms:

A. group holding form

Group holding means that a group holds and acquires several pawnbrokers, establishes a group company and unifies its operation and management. However, at present, mergers and acquisitions can only be carried out in the provincial region, and cross-provincial mergers and acquisitions still need policy breakthroughs. The form of group holding can improve the ability of pawnbroking enterprises to resist risks and business innovation. It is an inevitable trend that there will be several large pawnbroking enterprise groups in the future.

B. chain store form

Chain store form means that pawnbrokers can achieve scale benefit by establishing pawnbroker chain stores with diversified business forms, unified management and brand building, and rapidly expanding the market and scale. Chain stores are not necessarily tied by capital, but mainly by brand, service and management, which is also the main aspect that distinguishes them from the form of group control.

8. Conclusion

In order to understand the current situation of pawnbroking industry in China, this study analyzed the problems and effective solutions of pawnbroking industry in China and put forward corresponding suggestions for future development. As an inevitable product of social and economic development, pawnbroking has served the social and economic development in turn with its unique financing function for more than a thousand years. Its social and economic status has been changing with the change of historical conditions. Starting from the historical changes of pawnbroking industry, this paper analyses the modern situation of our country in the light of the historical development process and current national conditions of our country. The pawnbroking industry's characteristics, development situation and comparison with foreign pawnbroking industry highlight the pawnbroking industry with "Chinese characteristics". Based on the general environment of pawnbroking development, this paper gives solutions to the problems raised from three aspects: commerce, politics and public opinion. In business, the transfer of creditor's rights and Trusteeship of property are innovatively applied in pawnbroking; in politics, according to the "Golden Triangle" enterprise theory, corresponding strategies are put forward from the three dimensions of national policy, local support and enterprises themselves; in public opinion, combined with China's social environment, aiming at ending "lao lai" and improving morality. Quality, put forward constructive suggestions. It is hoped that it can be used for reference for the development of pawnbrokers.

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