

A Literature Review of China's Aging Finance - Based on Service Perspective

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Abstract: The number of the elderly is growing rapidly in China's population structure, has more than 212 million (data from the China Aging Research Center), china is becoming a country that has the oldest people. Faced with the increasingly serious aging problem, the basic pension system is limited. As early as 2013, the State Council clearly put forward to give full play to the market in the allocation of resources in the basic role, so that social forces become the main body of the development of old-age service industry. By the end of 2015, in the new 13th Five-Year Plan also made clear: full liberalization of the pension service market, taking advantage of the purchase of services, equity cooperation and other means to support various market players increase old-age services and product supply. March 2016, the People's Bank of China, the Ministry of Civil Affairs, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission jointly issued <the Guiding Opinions on Financial Support for Accelerated Development of the Old-age Service Industry>, and proposed to establish coordination mechanism supporting the pension service industry of a financial system involving the people's bank, civil affairs, financial supervision and other departments, strengthen industrial policy and financial policy coordination, strengthen the implementation of policy and effect monitoring, form a policy force promoting the development of pension services. Based on this background, it is necessary to study how to use financial services and its support functions to solve China's Aging Problem, reduce the burden on the government and improve the protection level of the aged groups.

Keywords: aging finance; financial market; aging

THE EXPANSION OF THE CONCEPT OF AGING FINANCE

In the current research literature of china, there is no clear definition of the concept of aging finance. In the field of research and border demarcation, the connotation of pension finance and aging finance is mixed. The earliest appearance of pension financing is based on the development and perfection of the western pension system. It is a new financial ecology with pension products as the core, which is the product of financial innovation and financial deepening. It is the combination of pension theory and finance theory. According to Blake [17] in the view of "Pension Finance", the main research object of pension finance is to invest in financial assets (mainly including money market securities, bonds, loans, stocks, collective investment and so on), real estate, derivatives and alternative investment pension funds, it can be understood as pension asset management, its essence is still the pension finance, namely Pension Finance. He Qiang [1] defines it as a series of savings and investment mechanisms associated with pension income security; Hu Jiye [2] proposed the basic framework of pension financing: the main research object of China's pension fund is the pension fund investment. In the capital market, the main investment varieties include government bonds, corporate bonds, stocks, securities investment funds, infrastructure trust products, stock

index futures and so on. Yang Yansui [3] point out: the pension finance refers to the management of money, fixed assets, and equity pension assets of integrated financial services. Dang Jun-Wu [4] argues that the old-age finance refers to the young people in their youth to make a variety of asset preparation; it is a kind of financial operation mechanism turning assets into available products or services after entering the old age. In this sense, the majority of domestic scholars for the definition of pension finance is based on the understanding and reference of the Western Pension Finance (Pension Finance), its meaning is similar to the pension capital investment management. From the concept of extension, it extends the impact on the capital market and institutional top-level design issues.

While some scholars define the concept from the service point of view. According to Zheng Bingwen [5], the old-age finance refers to the financial service industry with the silver-haired family as the main service target group. The aging financial is a financial service industry with huge potentials led by aging. Different from pure capital operation, at the China Aging Financial Forum in March 2016, Dong Ke-yong [6] pointed out that the core goal and role of the old-age finance is to support the development of old-age services, namely the pension industry, the pension system and Financial Services for the Elderly. Sun Bo

[7] argues that a society and its members need financial services that are not limited to pensions but also other older financial consumption and services. The corresponding conceptual system should be "ageing finance". Sun Bo and Dong Ke-yong, *et al.* [6] extended the scope of the concern to include the provision of financial services and financial support within the scope of research on aging finance.

In summary, the old-age finance is a more rich concept than pension finance, from the perspective of the functions of government, enterprises and financial institutions to be classified: it should include pension finance, aging service finance, aging financial support--three aspects; and in the extension, covering the pension capital operation, the provision of financial products and services for the elderly, financial support for aging industry.

THE CURRENT SITUATION AND VIEWPOINTS OF THE RESEARCH ON AGING FINANCE

Pension finance

The essence of pensions finance is the institutional arrangement that reflects the financial function of social pensions, which is the transition from pension savings to pension investment. In the 1980s, the research hotspot changed from the traditional pension insurance to the fund accumulation system. E. Philip Davis and Feldstein both have done this research, conclude that underdeveloped financial market capital consumers are more susceptible to capital mobility constraints, people are subject to financial inhibition, the performance of the lower propensity to consumption, preventive savings increase; In countries where pension finance is well developed, pensions have a crowding-out effect on personal savings, which derives entirely from the ability of the financial market to absorb pensions. Meng, Channarith and Wade Donald Pfau [18] studied the relationship between pension and financial markets and found that there is a statistically significant relationship between financial development and pension assets in the more developed countries of mature financial markets, the amount of pension assets and their liquidity have a positive impact on the stock market.

From the pension insurance fund management model point of view, Holmstrom [19] thinks that the principal-agent relationship about the fund managers, trustees and investors, can effectively avoid damage moral hazard, thereby enhancing the safety of fund investment operations. From the perspective of financial regulation, Frederic S. Mishkin [20] analyzes the problem of moral hazard and adverse selection in the process of agency contract. Hemant Shah [21] argues for allowing other financial institutions to enter the pension fund management market.

Nowadays, the research on pension finance in China is still in the stage of exploration. There are not many theories and practices concerning the pension finance in the related academic literature. In the severe background of aging, many scholars, experts began to attach importance to these issues. The research focuses on the individual accounts of pensions, the financial deepening of enterprise annuity, the investment of pension market and the construction of pension system.

In view of the problem of increasing the value of pension financing, Zheng Gongcheng [22] thinks that the international practice of preserving the value of pension is its market-oriented investment operations; China has an urgent need to make up individual accounts, and study combination of ways and means about pension fund accounts and financial markets. Chu Fulin [23] suggested that promoting the formation of social security policy banks, so that will make the main responsibility of social security fund management independent, in order to achieve the purpose of preserving and increasing value. Zheng Bingwen [5] examines the investment management of enterprise annuity funds in Australia, Iceland and Switzerland, and finds that corporate annuity assets are independent of employers' enterprises and government, which is a prerequisite for the establishment of good governance structure. Yang Yansui [28] argues that the pension needs to take the model of trust management, because it can inhibit institutional risk. She believes that China has reached on social consensus of the pension and financial development, the Government, the market and society have put forward the problem of tax-deferred pension savings, insisted that the pension should be into the market.

In contrast, the Western pension scholars this year to pay great attention to the problem of research about pension and capital markets with the problem of research, while the domestic focus on the stage of theoretical exploration and practice of trying. And there is no doubt that: the future direction of the development of pension finance, as well as key areas of supervision will get more academic attention.

Aging Service Finance

The past of aging service finance is an area of insufficient domestic attention, its essence is the service industry, its effective supply is obviously insufficient. Different from the traditional service industry, Aging Services finance provides products not only to life-based services to the elderly [24], but the financial products. In the market-oriented economic choice, how to address the diverse needs of aging, innovation and aging products has become a hot issue of current research.

Sun Bo [7] defines the connotation of aging service finance as the financial service activities of social financial institutions around the consumption needs of the elderly. Dong Ke-yong used to think that it is associated with the elderly financial services activities. The former only from the perspective of consumer demand to consider, the latter provisions of the content are some vague. In this paper, the classification from the point of the demand, the aging service finance is defined as a series of financial service activities which financial institutions try to meet the security needs of aging groups, property needs, life needs and intergenerational transfer needs, not limited to consumer demand. In the extension, according to their different functional properties, Dang Junwu [15] divides the aging financial products into seven categories: savings of aging financial products; securities of aging financial products; insurance products of old-age; Trust category of old financial products. From the connection of financial and physical consumption perspective, Sun Bo [7] divides the aging financial products into several categories: old-age financial management, pension insurance, pension insurance, geriatric care, elderly home, pension agencies several aspects.

Aging Service Financial System within Commercial Bank as Main Body

Commercial banks have the natural advantage of saving deposits, absorbing the property of the vast majority of the old age groups. Feng Liying [26] pointed out that commercial banks have the advantages of financing and project management; have a wealth of financial resources. And commercial banks can effectively integrate and establish the financial supply chain services to the elderly, effective product innovation, is conducive to optimizing the structure of aging financial services, improve the level of financial services.

The preservation of wealth for the aged group is the most basic service provided by commercial banks. It needs to select certain investment tools and investment strategies to hedge against market risks and resist the possible losses caused by inflation. In the United States, a number of large advisory bodies, commercial banks, insurance companies for the elderly asset status and risk preferences to develop a personalized retirement plan (retirement plan). Xiong Keyi [8] pointed out that the commercial bank's pension business in the "fragmented" state of development, pension products and services targeted weak, and the elderly with inertial thinking, preference for security investment and psychological vulnerability characteristics. ChenYou [9] believes that the development of commercial banking on the aging financial business to promote the expansion of the scale of direct financing and the

transformation of the financial structure, credit scale increase. We can learn from the experience of the United States, highlighting functions of the advisory, intermediary services, account management, hosting and supervisory functions. In short, commercial banks should focus on the diversification of old-age wealth management products and the innovation of marketing models [8], supplemented by targeted consultation and demand mining.

Commercial banks in the aging financial services business has emerged on a group of scale advantages. such as HSBC and BOC Hong Kong, have already formed a full-licensed financial system including commercial banks, securities and futures companies, asset management companies, insurance companies and trust companies, and formed a whole-industry chain service capability for aging financial services [27]. Another firm to develop the direction of the old financial services is the channel management and marketing. Commercial banks have the business network and service channel advantages which other service providers can not match. In the development of service network functionalization, community, miniaturization; service intelligence aspects, many research still need to be done.

Multi-level asset allocation of aging financial services

The financial institution is the micro subject of asset allocation of aging financial service, and its function property is the base of asset allocation.

From the financial market point of view, the innovation of guaranteed products has come to an end; the market has begun to focus on demand-oriented innovation, products related to funds, annuities, insurance, trust areas, characterized by increasingly high degree of securitization. For the significance and necessity of fund products, Ba Shusong [32] points out that the aging property market provides long-term and sustained demand for mutual funds, much more efficient than individual decentralized decisions. Yang Yansui [28] pointed out that the market-oriented investment in pension funds is an inevitable trend; GDP is a key indicator which measures the market value of pension fund assets. Li Chao [29] pointed out that the fund industry should give full play to the operation of transparent, professional norms of the system advantages, the first to explore the pension fund products and investment operating mechanism matching personal accounts (personal choice). From the fund category and the relationship with the annuity, Zhong Rongsa [30] pointed out that public-offering funds are the core participants of the capital market value discovery and risk pricing. In the future we should be committed to the development of public

offering FOF and MOM products and encourage fund companies set up public offering and non-public-offering aging investment products. Related empirical studies show that the relationship between private equity funds and mutual funds is not only competitive, but more of a complementary relationship. In recent years, the scale of private equity funds and mutual funds has maintained growth, rather than the shift. US commercial banks and advisory bodies work together to provide supplementary private annuities to citizens, providing more options for preserving old age. Such annuities are based on interest rate, some are based on the index, such as fixed index annuities (Fixed index annuities), and the annuity of investment and asset allocation are based on preferences and freedom of choice (Hybrid Allocation), broaden the product Freedom of purchase.

In the insurance market, the existing research is usually cut in from the health and medical, property liquidity protection point of view. For a long time, China's elderly income and medical expenses mainly from the pension, re-employment income, alimony and public health care, labor insurance. With the deepening of market economy consciousness, the reform of pension system and health care system, and the weakening of family pension function (Chen Zhiwu, <the logic of finance>), more and more people realize that they must have stable life and health protection in old age., in addition to social insurance institutions to participate in endowment insurance and medical insurance, you can also buy life insurance and health insurance operating by insurance companies [10]. In the combination of health insurance and savings, Li Ai [11] refers to the medical industry as a natural monopoly because of its technological superiority, and the medical market is a non-cyclical industry that is less susceptible to fluctuations in the economy. Commercial banks and insurance companies take medical services demand as the prerequisite, design and launch innovative financial products. Service-oriented financial institutions should combine their business with the medical needs of the elderly and introduce innovative savings models. Di Da [12] argues that savings products and medical insurance are combined to meet the medical needs of the aging population, followed that savings products and property insurance to meet the needs of the elderly on property accidents. Some scholars have included medical insurance and accidental loss into the family financial assets to discuss and propose the "insurance products" for the loss of family property in the face of accidental loss of interest. It can also provide insurance products for the elderly in exchange for installment loans. So that it can ensure that the accident caused the inability to repay, insurance companies could repay the loan instead. Among the many uncertainties facing Chinese families, disease risk is a significant part of health care

spending, which has become the third largest expenditure in China (2011 China Healthcare Consumer Survey). A disease is likely to lead to family financial difficulties, which may affect the family's asset holdings. In older households, the ability of the elderly to bear the risk of a significant decline in a variety of uncertainties can cause loss of family property. So the savings plan of the life cycle, it is particularly important, the corresponding funds and trusts and other asset investment can effectively prevent accidental risks caused by loss of family property.

In summary, from the cross-border combination of medical and insurance, banking and other financial industries to expand multi-functional and multi-faceted financial services, pay attention to cooperation between industries, make full use of Internet resources, innovative service content.

Examples of Financialization in Aging Life

According to the survey data of China Aging Research Center, 36.5% of the urban and rural elderly need rehabilitation and 36.9% of them need for on-site nursing care. As China's aging and aging population continues to develop, the number of the elderly is increasing, rehabilitation care market, the potential demand is growing. The fact is that the supply of care for the financial services is imminent.

Du Ben-feng [13] pointed out the three inevitable trend of aging care: a variety of diseases and disability of the elderly increased dramatically, the demand for specialized care services increased; the elderly economic security capacity is weak, the change of family structure makes the role of institutional function more and more prominent. Long-term care insurance should be committed to safeguarding higher-cost long-term care services. Different from traditional commercial insurance, the long-term care insurance is special about the actual life of the elderly population action. So the core is to improve the quality of long-term care services; sort out the "border" of medical services and long-term services. Germany and Japan have put long-term care insurance into the social security system, using pay-as-you-go way to pay [14]. Elderly long-term care is the latest in China, the most difficult to solve the problem of aging [33]. Zhang Xiaoqing [15] summarizes the characteristics of China's long-term care, combined with China's actual conditions: the population growth of the elderly population is fast, and the demand for long-term care is high. According to the necessity of financial support for long-term care, the long-term care expenditure is large; relying solely on individual will cause market failure. Therefore, we should make use of modern financial markets to establish long-term care costs of multi-channel financing mechanism. Commercial long-term

care insurance plan is a strong complement and cooperation of public health insurance plan, has become a hot research in recent years [16]. In related papers, we will focus on the integration of administration, practitioners and social resources, and strengthen the realization of multi-subjects sharing among governments, enterprises and individuals.

Another typical example is the realization of the liquidity of fixed assets in old age. Such as housing reverse mortgages, which originated in the Netherlands, mature in the United States. US housing reverse mortgages can be subdivided into three categories, the first is semi-public and private--the government providing default insurance of Home Equity Conversion Mortgage (HECM); the second is a loan that enterprise selling and guarantees a homeowner. The third is the purely private loan of financial freedom, no government factors fully profitability [31]. And the United States is different: the Chinese consumer groups, the prevalence of such a characteristic, that is, most of the first half of the savings are invested in housing, after retirement in his later years, "low savings, high real estate" phenomenon happens. The function of traditional family pension, which is mainly based on the Confucian "filial piety" culture, is gradually weakening, and the social security system has certain limitations. Housing reverse mortgage is an effective way to supplement the liquidity demand of the elderly. In the country to the Housing Endowment pilot, as of May 20, 2016, the national participation "to the Housing Endowment" a total of 78 people and 59 households, after all the process is 47 people and 38 households; its effect is not satisfactory. Deng Tianlong [4] summarizes from the cause dimension: people's cultural and psychological barriers; institutional barriers, the product system design itself; market barriers, the development of China's estate market is only about 20 years, the operation and control mechanisms and laws Regulations not yet sound. The relevant policy and legal security system construction, a mature capital market as a carrier, which is the objective conditions of housing reverse mortgage for the smooth development. The current focus should be based on the corresponding capital market system-based, not blindly using "mechanically" Western Experience [6].

AGING FINANCIAL SUPPORT

Aging support finance refers to financial support services for aging industries and enterprises, including investment and financing support for pension-related industries [7]. The necessity of financial support for the elderly, one is the elderly in the contraction stage of economic income, spending power is limited, which determines the majority of the pension industry can only operate at low profit; Second, the pension industry in China as a new industry, profitability has great

uncertainty, which also led to decreased willingness of capital to participate in this industry.

According to the different support subjects, aging support finance can be divided into policy-based financial support and market-oriented financing support. Policy-based financing mainly includes policy loans, guarantees, government-guided funds, special support funds; market-oriented financing support refers to the main market in accordance with the market mechanism, using direct or indirect financing means to provide financial support for the pension industry. From the perspective of domestic policy support, the formation of support for local governments, including the establishment of special support funds, to explore the establishment of industrial funds, PPP and other models. In addition to conventional credit, IPO, bond financing, foreign market-oriented financing support have some innovative financing methods, the most typical is the REITs (real estate investment trusts) and private equity funds; and domestic aging financing support is in the exploratory stage, market-oriented financing still has obvious short board

With the increase of policy support and the expansion of market demand, the development trend of funds supporting the aging service market is more obvious. Central enterprises, insurance capital, foreign capital and other domestic and foreign capital have invested in aging services market. China's government departments and enterprises are responsible for the construction, investment, operation and operation of the major pension resources in China today.

In the context of the policy of "public entrepreneurship, innovation by the public", the elderly financial support should expand the object of the support, shorten the lengthy administrative procedures, appropriately reduce the threshold of support. Giving the financial support and policy benefits corresponding to the pension industry-related entrepreneurs and the aging private enterprises in the growth stage, and promoting the rapid development of multi-level aging industries.

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