

Status and Future Development Strategies of Securities Issuance by Chinese Listed Companies

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Abstract. Currently, the Chinese bond market continues to expand in size, with corporate bonds emerging as a crucial channel for direct financing in the real economy. This study focus on the bond issuance of listed companies in China. It can be concluded that significant progress has been made in product innovation, as well as structural adjustments across regions and industries. Bond financing demonstrates multiple advantages in terms of cost, maturity, and pricing mechanisms. However, the development of the corporate bond market for listed companies faces several challenges, including higher financing costs for private enterprises, a regulatory system that requires strengthening, and the need for further expansion of issuance scale. To address these challenges, this paper proposes a two-pronged approach: first, institutional reforms, specifically the deepening of the registration-based system and the enhancement of pricing mechanisms, and second, a recommendation that enterprises transform their financing concepts and embrace innovative financing approaches. This research also indicates that although China's corporate bond market exhibits an upward development trend, existing problems still require attention and improvement.

Keywords: Chinese corporate bond market, listed companies, registration-based system, pricing mechanisms, innovative financing approaches

1. Introduction

Listed companies play a key role in the national economy, and corporate bond issuance is one of their financing method. In developed countries, corporate bond financing takes up a major share of the capitalist market. In China, the financing method of corporate bonds has not been welcomed by Chinese enterprises and the market. It is only a very small part of the capitalist market [1]. This indicates that the domestic corporate bond market lags far behind the market share of foreign corporate bonds. In terms of the overall operation of the bond market, in 2024, the People's Bank of China adhered to a supportive monetary policy and intensified counter-cyclical adjustment efforts, creating a favorable monetary and financial environment for high-quality development. The yields of interest rate bonds generally showed a downward trend, and the issuance rates of credit bonds decreased significantly. The total issuance volumes of interest rate bonds and credit bonds both rose steadily year-on-year. To investigate the Chinese bond market, this paper examines the development status of listed companies and the challenges hindering the progress of Chinese corporate bonds. This study employs a literature review methodology, systematically collecting and analyzing

academic literature, policy documents, and industry reports related to bond market development and corporate financing from both domestic and international sources. By synthesizing prior research, this approach helps establish the current state of knowledge and identify emerging trends in the field, thereby providing a robust theoretical foundation for the present study.

2. Overview of bond financing

2.1. The current situation of the Chinese bond market

2.1.1. Continuous expansion of issuing scale

By the end of 2024, the outstanding balance of China's bond market under custody reached 177 trillion yuan, increasing by 12.1% year-on-year, firmly ranking as the world's second-largest bond market. Corporate bonds issuance (corporate credit bonds) reached 14.5 trillion-yuan, accounting for 18.3% of the total bond issuance for the year and becoming a core channel for direct financing of the real economy. From the perspective of term structure, the proportion of short-term bonds with maturities of less than three years dropped to 8.4%, while the issuance scale of ultra-long-term bonds with maturities of ten years or more increased by 110% year-on-year, reflecting the dual drive of enterprises' long-term financing demands and investors' allocation preferences.

2.1.2. Structural depth adjustment

Accelerated variety innovation: The expansion of characteristic varieties such as green bonds and science and technology innovation bonds has been significant. In 2024, the issuance scale of green bonds reached 681.4 billion yuan, among which the issuance of green debt financing instruments (such as carbon neutrality bonds) was 258.75 billion yuan, increasing by 33% year-on-year. For the first time, it surpassed green financial bonds to become the main force in the market [2]. Suzhou Hengtai issued China's first green corporate bond with a dual theme of "Yangtze River Delta Integration + Carbon neutrality" carrying a coupon rate of only 2.25%. The funds are specifically used for the construction of low-carbon transportation hubs, reducing carbon dioxide emissions by 13,900 tons annually, demonstrating the precision of the bond market in serving the national strategy.

Regional and industry differentiation: The issuance scale of urban investment bonds decreased by 4.3% year-on-year, but the issuance volume of industrial bonds (such as high-end manufacturing and new energy fields) increased by 13.3%, reflecting the targeted policy support for the real economy.

2.2. The advantages of bond financing

Corporate bond financing offers three core advantages: Firstly, it provides a significant cost advantage. The average all-in financing cost of bonds issued by AAA-rated enterprises is 50-100 basis points lower than that of bank loans. Secondly, it offers flexible tenors allowing for the issuance of medium - and long-term bonds ranging from 3 to 30 years, effectively aligning with the long-term investment needs of enterprises. Thirdly, it features a mature credit-based pricing mechanism, enabling differentiated pricing based on an enterprises' creditworthiness and providing financing opportunities for entities with varying risk profiles. Furthermore, bond financing helps optimize corporate capital structures, reduces reliance on indirect financing, and enhances financial stability.

3. Development and problems of corporate bonds of listed companies of China

3.1. The current situation of financing for listed companies in China

3.1.1. Registration-based reform and market-driven pricing mechanism

From the 2019 pilot registration-based system on the STAR Market to April 2025, the total number of companies listed under this regime in China's A-share market reached 1,416, with 366 new listings added after the full implementation of the registration system. The market-oriented pricing mechanism eliminated the previous 23 times P/E ratio ceiling, resulting in the proportion of IPOs with premium rates exceeding 30% increasing from 34% to nearly 40%. High-quality technology enterprises, exemplified by automotive-grade analog chip manufacturer Naximicorp, have secured elevated valuations due to their technological scarcity. The over-subscription phenomenon has significantly moderated, with excess fundraising ratios dropping below 10% in 2024 and 2025. Capital allocation has become more rational, as project-based fundraising plans accounted for nearly 78% of total fundraising purposes.

3.1.2. Private enterprises emerge as financing dominance with enhanced refinancing participation

Private enterprises have rapidly ascended under the registration system [3], constituting over 80% of registered IPO companies as of February 2025. These firms raised 1.07 trillion yuan in new capital, representing nearly 70% of total IPO proceeds. In refinancing activities, private enterprises accounted for 44.41% of total refinancing volume in 2024, with 70.05% participation in private placement projects. A prime example is CloudMinds-U, which achieved 80% year-on-year revenue growth in 2024, demonstrating the vitality of private enterprises in technological innovation sectors.

3.2. The issues and problems among corporate bond market

3.2.1. High cost of capital

In the first quarter of 2025, the weighted average issuance rate for bonds issued by private enterprises stood at 2.39%. However, private firms with comparable credit ratings still faced a 2.1 percentage point premium over state-owned enterprises (SOEs), with 60% of their bonds requiring third-party guarantees. This indicates that private enterprises continue to face substantial credit spreads in the corporate bond market, resulting in significantly higher financing costs than their SOE counterparts. Furthermore, a case study from Chongqing's Liangjiang New Area reveals that even with government-backed risk compensation mechanisms, private enterprises still encounter difficulties in bond issuance. This underscores the lack of robust, market-driven credit enhancement mechanisms.

3.2.2. Weak supervision system

China's corporate bond market currently suffers from a fragmented regulatory framework, characterized by unclear jurisdictional boundaries among different regulators, leading to both regulatory overlaps and gaps [4]. A case in point is urban investment bonds, whose issuance and trading involve multiple authorities, including the National Development and Reform Commission (NDRC), the China Securities Regulatory Commission (CSRC), and the People's Bank of China

(PBoC). Divergent regulatory standards across these entities not only increase compliance costs for issuers but also reduce overall regulatory efficiency.

Moreover, insufficient supervision of information disclosure remains a critical issue. Some issuers fail to provide timely, accurate, or complete disclosures during bond offerings, impairing investors' ability to assess risks effectively. For instance, key information such as debt levels or fund utilization plans, is often obscured, distorting investment decisions and undermining market health. Compounding this problem, the relatively lenient penalties for violations lack a sufficient deterrence effect, encouraging non-compliance among opportunistic market participants.

3.2.3. Limited corporate bond insurance

Despite the sheer size of China's bond market, corporate bonds remain underrepresented compared to developed economies. For example, in the U.S., corporate bonds dominate capital market financing, whereas China's corporate bond market lags in scale, limiting its capacity to meet diverse corporate financing needs.

Many firms exhibit limited awareness of bond financing, over-relying on traditional bank loans and underutilizing bond markets. Additionally, investor participation is highly concentrated among institutional players, with minimal engagement from retail or non-financial institutional investors. This narrow investor base restricts funding liquidity and curtails issuance growth. Further, infrastructural deficiencies—such as trading platforms and settlement systems—also constrain market expansion.

4. Solution of corporate bonds issues in listed companies

4.1. Institutional reforms

4.1.1. Registration system and post-market supervision

Dynamic Optimization of Review Standards: Drawing on China's comprehensive registration system reforms, shift the focus of issuance approval from "substantive judgment" to "compliance review of information disclosure," establishing a "negative list + continuous supervision" mechanism [5]. For instance, the Sci-Tech Innovation Board allows unprofitable high-tech enterprises to go public through diversified criteria, with STAR Market IPO financing accounting for 51% of A-share IPOs in 2023.

Full-Process Regulatory Penetration: Establish a three-tier supervision system integrating exchange reviews, CSRC registration, and on-site inspections. Implement "key inquiries + working paper verification" for enterprises with financial anomalies. In 2023, the CSRC conducted 32 on-site inspections and imposed regulatory measures on 22 enterprises for disclosure violations.

Normalized Delisting Mechanism: Adopt comprehensive delisting criteria like the ChiNext Market. In 2023, 44 companies were delisted mandatorily, exceeding the total number before the reform.

4.1.2. Pricing mechanisms and speculation control

Introducing the Greenshoe Mechanism: Allow lead underwriters to stabilize share prices by purchasing stocks within 30 days of IPO, reducing the risk of underpricing. For instance, China Mobile's 2022 IPO used the greenshoe mechanism, reducing post-listing price volatility by 15%.

Dynamic Adjustment of Issuance Pace: Regulate the IPO volume according to market liquidity. In 2024, the monthly IPO number in Shanghai and Shenzhen markets decreased from 20 to 7, with the average IPO gain rising from 69% to 269%.

4.2. Financing transformation and innovation

Companies must enhance their expertise in bond financing, aligning strategies with their operational characteristics and rigorously meeting bond issuance requirements. By diversifying financing channels, firms can effectively reduce bond financing costs [6]. For instance, issuers may incorporate equity conversion clauses, explicitly defining the terms for bond-to-equity conversion. Additionally, introducing tiered bond structures or bundling bonds with trust products, wealth management schemes, and fund investments can further innovate financing models.

5. Conclusion

This study of China's corporate bond market reveals an overall upward trajectory in its development. However, certain issues warrant attention and improvement. This findings indicate that the market exhibits growth characterized by expansion, structural diversification, and product innovation. Bond financing has emerged as a crucial direct funding channel for the real economy, offering advantages in cost, maturity, and pricing compared to alternative financing methods. However, persistent challenges demand attention. High financing costs for private enterprises hinder their competitiveness; regulatory fragmentation and weak enforcement threaten market stability; and inadequate issuance volume limits the market's potential to support economic growth. To foster sustainable development, policymakers must advance institutional reforms—deepening the registration-based system, refining pricing mechanisms, and strengthening unified oversight. Concurrently, firms should adopt innovative financing approaches and reduce reliance on traditional debt. Only through such coordinated efforts can China's corporate bond market achieve robust, stable growth and fulfill its critical role in the national economy.

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