

Industry-Finance Integration to Boost Sound Corporate Development — A Case Study of Haier Group

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Abstract. With the advanced development of China's market economy, the integration of industry and finance has become a mainstream economic development paradigm to achieve remarkable economies of scope and economies of scale. Industry-finance integration refers to the internal combination or integration of industrial capital and financial capital through equity participation, shareholding, holding, personnel appointment and other means to pursue shared development goals and overall benefits in economic operation. It helps enterprises reduce transaction costs, ease financing constraints and optimize resource allocation. In practice, multiple models of industry-finance integration are available, including industrial groups with financial subsidiaries, industrial financial holding groups, and industrial groups holding commercial banks. Industry-finance integration is not only an objective requirement for the efficient allocation of social resources, but also an inevitable path for large-scale enterprises to realize leap-forward growth through the synergy between industry and finance.

Keywords: Industry-Finance Integration, Financing Constraints, Haier Group, Financial Risk.

1. Introduction

Industry-finance integration generally refers to the internal integration between industrial capital and financial institutions via cross-shareholding, equity holding and controlling. It represents a trend where mature industrial capital pursues diversification and capital virtualization to upgrade capital operation efficiency. Alongside deepening industrial integration, industry-finance integration linked by equity ties between real industries and the financial sector is regarded as a vital tool for industrial structure optimization and transformation and upgrading.

The State-owned Assets Supervision and Administration Commission (SASAC) first explicitly supported industry-finance integration in 2010. In March 2016, the central government issued the Action Plan for Strengthening Information Sharing to Boost Industry-Finance Cooperation, aiming to enhance the capacity of the financial sector to serve the real economy [1]. Nevertheless, many enterprises follow the trend blindly in carrying out industry-finance integration, which easily fuels the shift of capital from real economy to virtual economy and triggers cross-contagion of industrial and financial risks. Against this backdrop, the report to the 20th National Congress of the Communist Party of China clearly pointed out that China must keep the focus of economic development on the real economy, hold the bottom line of preventing systemic risks, and strengthen and improve modern financial supervision.

Currently, mounting downward pressure weighs on the macroeconomy, highlighting the conflict between enterprises' difficulties and high costs in financing and banks' increasingly prudent lending standards. Economic downturns cut corporate sales revenue, while banks mark down collateral valuations and tighten credit thresholds for real enterprises, restraining corporate investment and expansion and aggravating weak market demand. Consequently, commercial banks tend to raise the proportion of high-yield securities assets and cut low-yield credit assets. When such rational market behavior spreads widely across the sector, it will trigger massive expansion of on-balance-sheet asset management products and rapid growth of off-balance-sheet shadow banking businesses.

Under such circumstances, efficient and sound industry-finance integration can attract substantial capital into the real economy, lift corporate operational efficiency, improve business performance, expand regional capital stock, and inject strong vitality and growth momentum into regional economies.

2. Motives and Economic Consequences of Industry-Finance Integration

2.1. Motives for Industry-Finance Integration

From the micro corporate perspective, the core motives for industry-finance integration include cutting transaction costs, mitigating financing constraints, optimizing resource allocation, gaining competitive advantages and chasing excess profits.

First, transaction cost theory states that internalizing external transactions is a key method for enterprises to save costs. Industry-finance integration builds long-term stable partnerships between industrial firms and financial institutions, internalizing partial external transactions and lowering expenses on information search and contract signing.

Second, equity ties forged through industry-finance integration boost mutual trust, granting enterprises access to related-party loans and alleviating financing constraints [9]. Effective industry-finance integration can optimize the allocation of industrial and financial capital and improve enterprises' total factor productivity [6].

Third, leveraging information and incentive advantages, integrated frameworks allocate internal resources efficiently, eliminate distorted capital and financial resource allocation, and improve the integration efficiency of industrial and financial capital.

Fourth, as an institutional and organizational innovation, industry-finance integration enables enterprises to consolidate external resources and secure competitive edges.

Fifth, driven by profit maximization, capital flows from low-margin industries to high-margin sectors. The high-leverage feature of the financial industry generates substantial short-term returns, prompting real enterprises to allocate partial capital to finance for value appreciation. From the macro perspective, industrial policies and government guidance exert positive impacts on industry-finance integration, while the effects of government intervention show obvious heterogeneity across different ownership types.

2.2. Economic Consequences of Industry-Finance Integration

The economic consequences of industry-finance integration fall into positive and negative categories. Positive outcomes mainly manifest in improved corporate efficiency and operational performance. Beyond providing financial support for corporate innovation, industry-finance integration elevates investment efficiency, production efficiency, profitability and operating results. However, the influence of industry-finance integration on enterprise innovation remains controversial; some studies argue that excessive financial allocation may crowd out innovation investment [4,7,8]. Negative consequences lie in potential risks brought by blind integration. Industrial capital and financial capital feature distinct operational logics and characteristics. Under internal capital market mechanisms, premature industry-finance integration may trigger internal transaction risks and capital consolidation risks due to insufficient management experience and institutional mismatches. For instance, one major cause of the Delong Crisis was the group's over-reliance on financial subsidiaries while neglecting core competitiveness cultivation, which ultimately led to industrial hollowing-out. Blindly promoting industry-finance integration may increase corporate financial risks and distort capital allocation [3,5]. In terms of peer effects, enterprises' decisions on industry-finance integration display significant regional peer effects, with firms tending to imitate the integration practices of large-scale corporations [2].

3. Domestic and Foreign History of Industry-Finance Integration

3.1. Evolution of Industry-Finance Integration in Foreign Countries

In Western economies, industry-finance integration has undergone a three-stage cycle: integration → separation → re-integration. At the end of the 19th century, industrial consolidation relied heavily on affiliated banks, giving rise to finance-originated industrial conglomerates represented by J.P.

Morgan, including Rockefeller, J.P. Morgan, Citigroup and DuPont in the U.S., and Mitsui, Mitsubishi, Sanwa, Sumitomo and Dai-Ichi Kangyo in Japan. After the Great Depression in the 1930s, the industry-originated finance model pioneered by General Electric (GE) took shape. By the 1970s, numerous U.S. industrial groups had set up internal financial departments or independent financial subsidiaries. Starting from the 1980s, Western countries led by the U.S. deregulated the financial sector, reviving mixed financial operation and deepening the penetration of financial capital into industrial sectors. However, following the 2008 global financial crisis, many industrial conglomerates scaled back or divested their financial arms to refocus on core industrial businesses.

3.2. Development History of Domestic Industry-Finance Integration

Restricted by regulatory policies, China's industry-finance integration developed slowly and lagged far behind international advanced conglomerates for a long time. Starting in the 1990s, industry-finance integration gradually took shape in China. Due to legal prohibitions on banks investing in industrial sectors, domestic integration is predominantly industry-originated finance: industrial and commercial enterprises invest unilaterally in the financial sector. These industrial groups hold or own stakes in multiple financial institutions such as commercial banks, securities firms, credit companies and insurers, forming diversified industrial-financial conglomerates that operate both industrial and financial capital through group holding and comprehensive mixed operation. Unregulated rapid expansion of such conglomerates amid incomplete legal and supervisory frameworks triggered localized risks. The 2004 Delong Incident became a classic case of industrial capital draining financial capital, after which industry-finance integration entered a relatively dormant phase.

The 2008 global financial crisis dealt a heavy blow to China's economy but also created new opportunities for domestic enterprises to accelerate industry-finance integration and conduct cross-border mergers and acquisitions, reigniting the boom of industry-finance integration.

The report to the 19th National Congress of the Communist Party of China proposed deepening financial system reform and strengthening the financial sector's capacity to serve the real economy, making industry-finance integration a vital solution to relevant economic challenges.

4. Major Domestic Models of Industry-Finance Integration

China's lagging banking reform and mature industrial capital determine that industry-finance integration is initiated by industrial rather than financial capital. Thus, most domestic integration models feature industrial groups investing in finance, namely industry-originated finance. Such models can be broadly divided into four categories:

Bank-enterprise cooperation (industry-finance partnership): Long-term stable strategic alliances built around deposit and loan services, settlement, trust, bond issuance, IPOs, M&As, property insurance and employee insurance.

Internal financial institutions within industrial groups: Finance companies and similar entities established by conglomerates to provide exclusive financial services for group affiliates.

Financial investment without control: Industrial groups acquire minority stakes in external financial institutions for investment returns without holding controlling shares or participating in management.

Controlled financial platforms: Industrial groups establish or acquire banks, securities firms, insurance companies, futures institutions and other licensed financial entities and take charge of their daily operations.

5. Case Study: Haier Group

Founded in 1984 as a state-owned enterprise, Qingdao Refrigerator General Factory was the predecessor of Haier Group. After Zhang Ruimin took office in 1989, he led Haier's market-oriented

transformation, breaking away from traditional state-owned enterprise operating modes. Today, Haier Group features a mixed ownership structure combining state-owned capital, foreign investment and individual shareholders. This ownership structure enables Haier to combine the strengths of state-owned and private enterprises, supporting stable development and rapid response to market demands.

5.1. Background of Haier's Industry-Finance Integration

1. Intensified competition in the home appliance industry: Severe market competition and serious product homogeneity squeezed profit margins, pushing Haier to seek new growth drivers.
2. Rapid expansion of the financial industry.
3. Policy support and incentives: Favorable national policies created a sound institutional environment and development opportunities for Haier's industry-finance layout.
4. Strategic transformation demand: To evolve from a traditional home appliance manufacturer into a comprehensive conglomerate, Haier needed financial tools to accelerate industrial layout and resource integration.

5.2. Development Stages of Haier's Industry-Finance Integration

Table 1. Stage 1: Industrial Capital Accumulation (1984–1992)

Year	Milestone
1984	Qingdao Refrigerator General Factory introduced German production lines and began refrigerator manufacturing.
1985	Haier launched its Famous Brand Strategy, focusing on high-quality refrigerator production.
1991	Haier became China's top home appliance brand and rolled out its Diversification Strategy.
1993	Qingdao Haier was listed on the Shanghai Stock Exchange to secure funding for industrial expansion.

As shown in Table 1, Haier seized opportunities brought by China's reform and opening-up, completed industrial capital accumulation within a decade, and achieved its IPO on the Shanghai Stock Exchange in 1993.

Table 2. Stage 2: Penetration into Financial Capital (2000–2005)

Year	Milestone
2000	Haier Investment was founded to launch the group's financial layout.
2001	Haier purchased shares in Qingdao Commercial Bank and Changjiang Securities, established Haier Insurance Agency, and acquired a 20% stake in Anshan Trust, expanding into multiple financial businesses.
2002	Haier formed a joint life insurance company with New York Life of the U.S. and funded the establishment of the group finance company.

As shown in Table 2, The table illustrates that Haier initiated the integration of industrial and financial capital through setting up investment platforms, purchasing bank equity and acquiring trust shares.

Table 3. Stage 3: Rapid Expansion of Financial Businesses (2005–Present)

Period	Milestone
Post-2005	China's stock market recovery fueled rapid growth of Haier's financial subsidiaries.
2009	Haier Insurance set up branches nationwide.
2014	Haier Consumer Finance Co., Ltd. was established.
2015	Qingdao OTC Market Clearing Center was founded.
2016	Qingdao United Credit Asset Trading Center launched.
Outcome	Haier built a comprehensive financial holding platform — Haier Financial Holdings, with full coverage of financial services.

As shown in Table 3. During this phase, Haier successively set up insurance branches, consumer finance companies, market clearing institutions and credit asset trading centers, forming the all-round financial platform of Haier Financial Holdings.

5.3. Core Measures of Haier's Industry-Finance Integration

5.3.1 Supply Chain Finance

Based on its core home appliance business, Haier developed supply chain finance for its industrial ecosystem. Its self-built vertical B2B online platform realizes full-process visualization of distributors' online procurement, payment, logistics and delivery, unifying information, capital, logistics and business flows. The Jushanghui system covers all distributors, while the Yilihuo system reaches all township-level stores, enabling real-time monitoring of distributors' orders, sales, inventory and after-sales services.

In cooperation with financial institutions, Haier acts as a system integrator and fintech service provider, connecting internal multi-system platforms with external financial institutions to deliver diversified financial services. Haier's supply chain finance significantly improves financing efficiency and capital turnover for upstream and downstream enterprises in the industrial chain, while digital tools enhance real-time supervision and collaborative efficiency across the whole supply chain.

5.3.2 Financial Leasing

Haier Financial Leasing Co., Ltd. is a core component of Haier's financial expansion. Adhering to the philosophy of "Finance for Industry", it focuses on serving the real economy and tangible industries. The company deeply deploys intelligent manufacturing, healthcare, education and culture, agriculture and food, inclusive finance and other sectors. Through resource restructuring and industrial ecosystem reconstruction, it facilitates industrial transformation, upgrading and sustainable development.

Haier Financial Leasing has invested over RMB 100 billion in supporting the real economy, served more than 7,500 clients, and managed assets exceeding RMB 21 billion. It has delivered remarkable results in supporting green industries, tech startups and micro, small and medium-sized enterprises (MSMEs), driving industrial upgrading and sustainable growth.

5.3.3 Consumer Finance

Haier Consumer Finance Co., Ltd. is China's first licensed consumer finance institution initiated by an industrial conglomerate. Centered on household consumption scenarios, it offers two core product lines: scenario-based installment loans and pure credit consumer loans. Two self-developed mobile applications, Haier Consumer Finance and Gouhua, meet diversified daily consumption demands.

Responding to national policies on household appliance trade-in, the company launched smart home installment products with preferential terms to popularize energy-saving home appliances. Its business scale grows steadily alongside continuously improved risk control capabilities. Digital transformation and technology empowerment realize full automation of online application, approval and disbursement, lifting service efficiency and user experience. The company also fulfills social responsibilities by delivering all-round diversified financial services tailored to the financial needs of new urban residents.

5.4. Achievements of Haier's Industry-Finance Integration

1. Establishment of the group finance company: The finance company realized centralized and efficient management of internal group capital, marking Haier's official entry into the financial sector and laying a foundation for subsequent industry-finance integration.

2. Diversified financial layout: Haier successively acquired stakes or controlling shares in banks, insurance firms, securities companies and trust institutions. This diversified financial portfolio strengthens its internal financial service capacity and provides comprehensive financial support for industrial development.

3. Innovative financial service models: New models such as financial leasing inject momentum into real industries. These innovative services improve the precision and efficiency of financial support and play an irreplaceable role in industrial upgrading and high-quality economic development.

5.5. Inspirations Drawn from Haier's Industry-Finance Integration

1. Attach importance to strategic planning for industry-finance integration

Haier's practice proves that enterprises must formulate clear integration strategies with defined goals and implementation paths to ensure smooth progress of industry-finance synergy. Reasonable industry-finance arrangement helps enterprises stabilize R&D investment and improve long-term operating performance [10].

2. Strengthen internal control and risk management

Enterprises need robust internal control and risk management frameworks to guarantee safe and compliant capital utilization during integration. Haier's board of directors participates in all capital operation projects to fully supervise progress and risks, laying a solid foundation for stable corporate growth.

3. Prioritize talent recruitment and cultivation

Industry-finance integration relies on high-caliber professionals. Haier recruits top financial talents globally with competitive compensation packages to retain expertise, providing reliable human resources support for deepened industry-finance synergy.

4. Adhere to market-oriented operations

Haier largely relies on capital markets to realize market-based capital operations. Years of practice have formed standardized complete procedures for equity transactions, indicating that enterprises should follow market-oriented principles and leverage market mechanisms to optimize resource allocation.

5. Actively fulfill social responsibilities

Enterprises must shoulder social responsibilities while advancing industry-finance integration. While serving the real economy, Haier Financial Leasing aligns its operations with national strategies and embeds ESG concepts into daily business, demonstrating corporate social accountability and mission.

6. Summary

Haier's industry-finance integration represents a long-term and complex process. Through continuous exploration and practice, the group has developed a distinctive industry-finance integration model and achieved prominent results. Nevertheless, facing constant changes and challenges in financial markets, Haier must continuously upgrade its risk control and innovation capabilities to seize future opportunities and address emerging challenges.

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