

High-quality Economic Development and Financial Support: Take Yangtze River Delta as an Example

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Abstract: Under the background that the regional integration development of the Yangtze River Delta has become a national strategy, this paper starts with the practice of economic development in the Yangtze River Delta region, and discusses the role and mechanism of financial support combined with economic theory. It is found that financial support can promote the upgrading of consumption structure, optimization of industrial structure and innovation-driven development. And the high-quality economic development of the Yangtze River Delta needs to strengthen the innovation of financial products and services and pay attention to preventing financial risks.

1. Introduction

The report to the 19th national congress of the communist party of China (CPC) points out that China's economy has shifted from a stage of rapid growth to a stage of high-quality development, and is now in the crucial stage of optimizing the economic structure, transforming the growth model and transforming the growth model. Focusing on high-quality development, the government work report for 2018 further proposed nine measures to promote supply-side structural reform. From the perspective of the supply side, economic growth is mainly driven by factor upgrading, structural optimization and institutional reform, and high-quality development is driven and supported by innovation. Finance plays a role in optimizing the allocation of resources and guiding the rational flow of funds. For high-quality development, healthy and sound financial support is essential. From the perspective of economic aggregate, both consumer credit of residents and financing of enterprises need support from the financial industry. Financial development can improve the efficiency of converting savings into investment and promote economic growth. The impact of financial support on economic development is also reflected in the optimization of economic structure, such as promoting the upgrading of consumption structure, industrial structure and circulation structure. Finally, the innovation-driven development of high-quality development cannot be separated from the support of finance. Technological innovation and financial development have always been inseparable. Financial development can not only provide financial support for technological innovation, but also escort scientific and technological innovation from information processing, regulatory mechanism, risk management and other aspects (Zhu jia, 2015).

The Yangtze river delta region has always been one of the regions with the strongest comprehensive economic strength, the highest development vitality and the highest degree of openness in China, and it has a strong demonstration effect on China's regional economic development. In November 2019, the regional integrated development of the Yangtze river delta will become a national strategy, which will also usher in a new round of opportunities for the development of the Yangtze river delta. From the past development experience of the Yangtze river delta, the rapid development of the industrial manufacturing industry has made outstanding contributions to the economic development of the Yangtze river delta, but the economic growth model that relies too much on the manufacturing industry and too much on the investment may affect the growth potential of the future regional economy. At present, the Yangtze river delta is in a critical period of economic transformation, and how to achieve high-quality development under the background of regional economic integration is an important task for the economic transformation

of the Yangtze river delta. Starting from the practice of economic development in the Yangtze river delta region of China and combining with economic theory, this paper discusses the role of financial support and its mechanism in the transformation of consumption structure upgrading, industrial structure optimization and innovation-driven development.

2. Financial support promotes the transformation of the pattern of economic development

Finance is the blood of the economy and the financial market is the core of the modern economy. It is the place for capital allocation and risk exchange. The demand for investment and financing, as well as the demand for capital settlement, payment and settlement services are the basic needs of enterprises and residents for financial services. Financial support mainly influences the regional economic structure and economic development mode by influencing residents' consumption and enterprises' investment decisions.

2.1 Financial support promoted the upgrading of the consumption structure

According to the life cycle hypothesis, individuals save and consume according to their lifetime income distribution in order to maximize their lifetime utility. Save when incomes are high and borrow when they are low to smooth consumption. Residents have financing demands on the financial market, and the demand for capital payment and settlement derived therefrom. Therefore, the degree of financial support affects the satisfaction degree of residents' demands, and then influences their consumption decisions. With the lifting of liquidity constraint, the development of the financial industry supports consumers' borrowing and consumption, thus increasing their actual consumption, which has been verified by many scholars (Wan guanghua et al., 2001). When borrowing is unavailable, however, private consumption falls below its optimal level. In China, residents' personal credit consumption is mainly automobile credit and housing credit. Taking Shanghai residents' personal automobile loan amount and personal automobile sales volume as examples, we study the impact of credit consumption on residents' consumption.

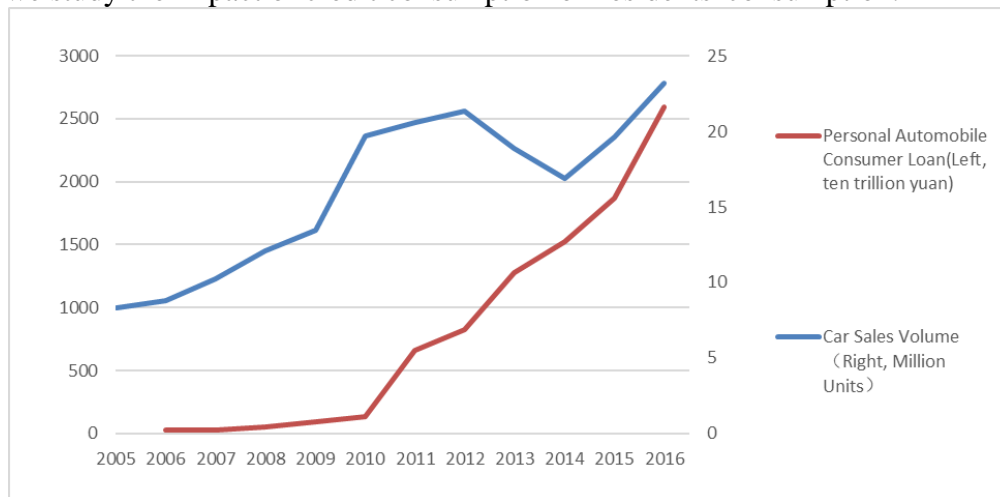


Figure 1. Personal automobile consumer loans and car sales volume in Shanghai from 2005 to 2016

As can be seen from figure 1, the implementation of personal auto loan does have the function of lifting liquidity constraint and transforming potential demand into effective demand, and the provision of consumer credit provides support for the upgrading of household consumption structure. For Shanghai residents, on the one hand, residents themselves have a strong demand for personal cars, which is due to the high level of economic development and high per capita disposable income in Shanghai. With the expansion of urbanization and the increase of commuting distance, they need to buy cars to get around easily. At the same time, the Yangtze river delta region has a developed road network and good infrastructure, which is suitable for commuting by car. On the other hand, the personal car at every turn hundreds of thousands, hundreds of thousands, for the majority of consumers, it is difficult to pay with the current income. Therefore, with the lifting of

liquidity constraints, financial development supports the increase of residents' consumption of automobiles, which further upgrades the consumption structure of residents in the Yangtze river delta from the satisfaction of basic needs such as clothing and food to the pursuit of high-level consumption such as housing and transportation, and drives the corresponding transformation of regional economic structure.

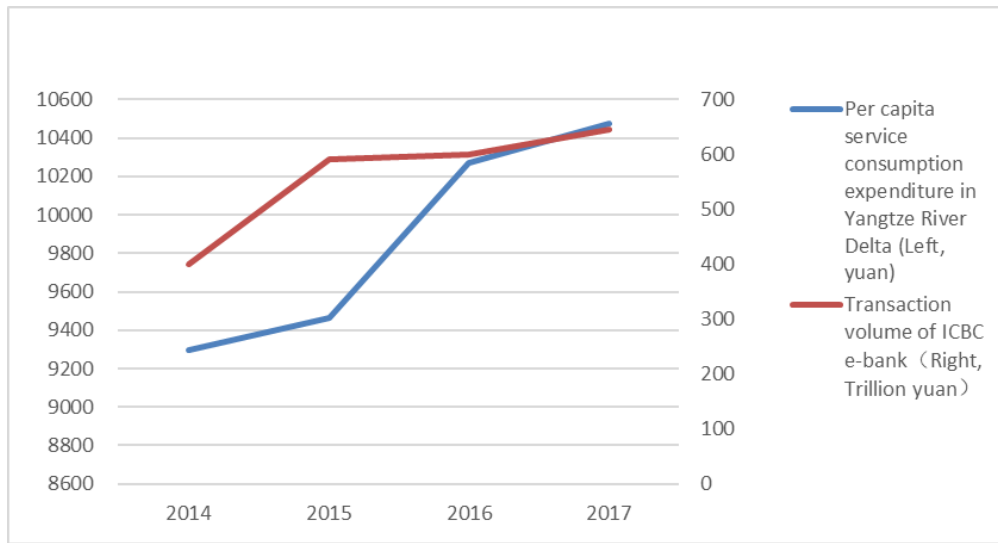


Figure 2. 2014-2017 e-banking transaction volume of ICBC and per capita service consumption expenditure in Yangtze river delta region

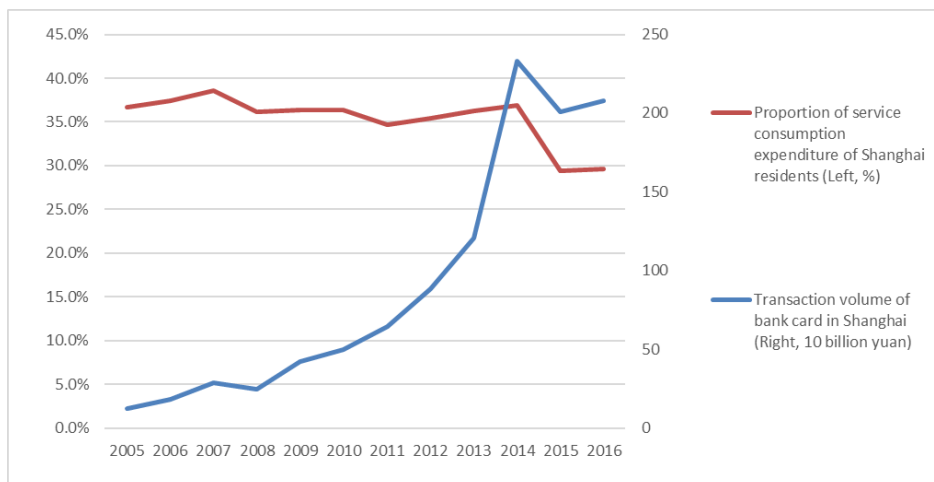


Figure 3. The proportion of bank card transaction volume and residents' service-oriented consumption expenditure in Shanghai from 2005 to 2016

The impact of financial support on consumer behavior is reflected not only in the quantity of products, but also in the quality of services. With the informatization construction of the financial system, the number of online banking and bank card users has increased rapidly, expanding the coverage of financial services and improving the efficiency of payment and settlement. We use icbc's online banking transaction amount to represent the development speed of online banking, and select three types of expenditures, namely medical treatment, transportation, communication, education, culture and entertainment, to represent the per-capita consumption of service expenditures. As can be seen from figure 2, the change trend of the two is roughly the same. The popularization of electronic payment means reduces transaction costs, increases residents' consumption of services, and convenient financial services translate consumers' desire into effective demand. In addition, the transformation of residents' consumption structure driven by the popularization of electronic payment means is also reflected in the relative rise of the proportion of service expenditure. Figure 3 shows that the amount of bank card consumption in Shanghai has roughly the same change trend as the proportion of service consumption expenditure, and the

convenient financial service promotes the upgrading of residents' consumption structure. With the development of e-commerce, the popularization and convenience of electronic payment methods have expanded the market scale, increased the product diversity, reduced the information search cost of consumers, and driven the real transformation of their consumption structure.

According to the above research, we can summarize the role of financial support in improving the consumption structure as follows: first, financial support solves liquidity constraints through credit consumption, meets the financing needs of residents and increases their consumption of specific products; Second, finance reduces transaction costs and information search costs through convenient means of payment, increases residents' consumption of services, and promotes the transformation and upgrading of consumption structure.

2.2 Financial support to improve the industrial structure

Along with the advancement of market-based reform of China's financial industry, a good incentive mechanism to form the orderly competition between financial institutions, improve the efficiency of the financial services, the development of the financial sector offers strong support the optimization of industrial structure, mainly reflected in three aspects: by the financial industry's own development, lower transaction costs, improve the efficiency of transactions, to improve the efficiency of conversion from saving to investment; Through the system reform of the financial industry, provide industry-oriented credit business to meet the financing needs of enterprises in specific industries; Through financial innovation credit support, accelerate the development of specific industries.

From the practice of the Yangtze river delta, firstly, the expansion of the scale of the financial industry promotes the optimization of the industrial structure. Both Zhejiang and Jiangsu provinces have made the financial industry a priority in the tenth five-year plan, and Shanghai is aiming to build an international financial center. As the pillar industry of the emerging service industry, the development of the financial industry itself can contribute to the development of the tertiary industry and the optimization of the industrial structure. Secondly, the informatization construction improves the service efficiency of the financial industry, expands the service scope, provides better and faster services for more enterprises in the tertiary industry, and thus promotes the optimization of the industrial structure. For enterprises in the tertiary industry, with little liquidity and fast turnover, they often face the problem of insufficient liquidity. The efficiency of financial services is not only related to the transaction cost, but also to the continuity of their capital chain. As can be seen from figure 2, since the establishment of online banking, the transaction volume of online banking has increased rapidly, which has improved the living environment of enterprises in the tertiary industry. In addition, the private economy in the past in Jiangsu, Zhejiang and formed many villages and towns, mainly because of the small enterprise scale, scattered distribution and that for Banks is difficult to achieve effective scale and set up business outlets, online banking transaction has facilitated the villages and towns of the third industry enterprise's financial services, create conditions for the better development of these enterprises, and promoted the local industrial structure transformation.

Third, the promotion of specific industries by financial support is also reflected in the expansion of the market scale of their products by promoting residents' consumption. We compare the proportion of tertiary industry in GDP and the proportion of service expenditure in residents' consumption expenditure in the Yangtze river delta region. As shown in FIG. 4, financial support promotes the development of specific industrial markets and further optimizes the industrial structure by promoting the upgrading of residents' consumption structure. Financial support promotes residents' demand for service consumption by providing convenient payment methods and removing liquidity constraints, and the increase of personal consumption demand leads to the expansion of market size. Therefore, the financial support promotes the development of the tertiary industry and optimizes the industrial structure in the Yangtze river delta region by expanding the scale of the tertiary industry product market.

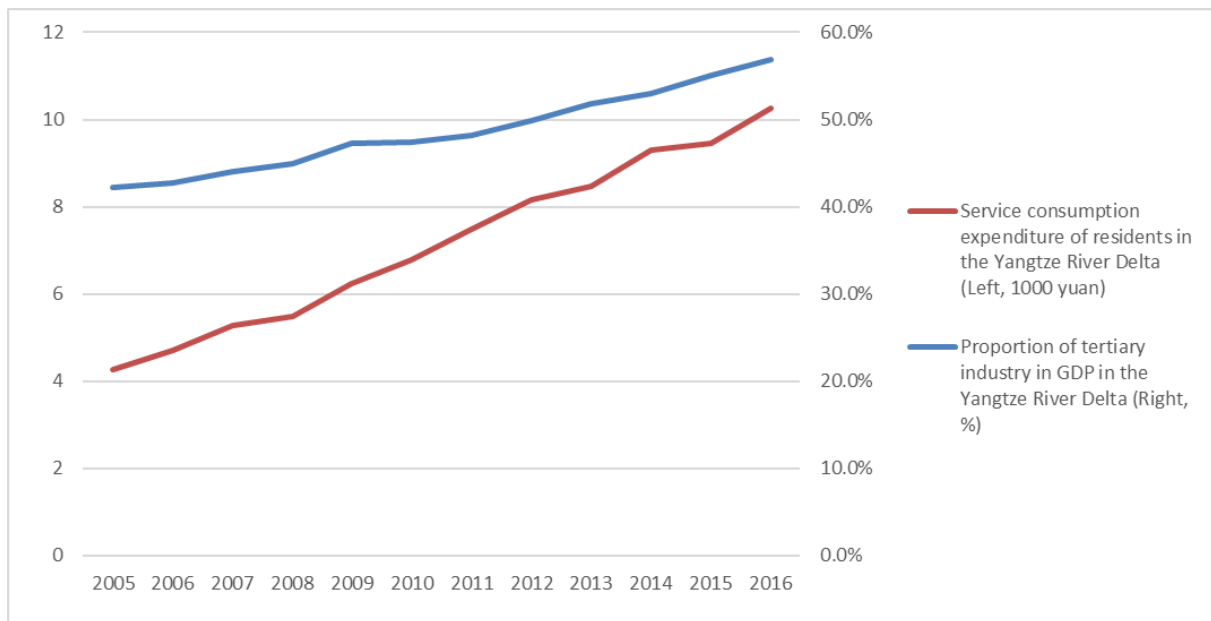


Figure 4. The proportion of residents' service consumption in consumption expenditure and the output value of the tertiary industry in GDP in the Yangtze river delta region from 2005 to 2016

Fourth, skewed financial support promotes the development of specific industries by affecting the distribution of the capital stock among them. On the one hand, a weak function to our country capital market direct financing and indirect financing is still the most enterprises (80%) the main way of financing, bank credit belongs to the indirect financing, it is used in enterprise production and operation of the main financing way of liquidity, it reflects the fundamental function of the financial sector is meet the capital needs of industrial development; On the other hand, preferential credit policies can accelerate the development of priority industries. This kind of policies can be used repeatedly to provide loans to multiple enterprises and improve the efficiency of capital use. At the same time, it can fully mobilize the independent initiative of the enterprise.

Fifth, we should improve the efficiency of financial support and accelerate the development of enterprises in specific industries by innovating financial products and services. Cover within the priority to the development of industrial enterprises in the past to support the government financial support is given priority to, such as tax breaks, discount loans or interest-free, one-time subsidies, narrow coverage, and enterprises enjoy the support need to meet certain conditions, such as have applied to bank loans, can enjoy discount loans or interest-free, many unsecured, unsecured small and medium-sized enterprises apply for less than a bank loan. Shanghai has implemented many innovative financial services, such as setting up a capital pool to provide third-party guarantees or entrusted loans for loans to small and medium-sized technology enterprises; Try to introduce idle capital of enterprises to expand the capacity of capital pool; Attract venture capital and idle funds of individuals by means of directional issuance of trust products of small and medium-sized enterprises. The innovation of financial products diversifies the means of government financial support, gives full play to the leverage effect, amplifies the radiation of the same amount of funds, and improves the use efficiency. At the same time, with the participation of government funds and the organization of government institutions, we insist on the non-profit, and ensure the safety of the use of funds.

To sum up, financial support can optimize the industrial structure in the following aspects: the financial industry is an important part of the advanced service industry, and the development of the financial industry itself can provide support for the expansion of the service industry; Through the financial industry technological progress, transaction cost reduction, capital turnover speed to improve the tertiary industry enterprises living environment; To expand the market scale of tertiary industry products by stimulating domestic demand, especially by increasing residents' consumption of services; Through the elimination of commercial bank loan restrictions, combined with the preferential credit policy to specific industries, optimize the capital stock structure of each industry;

Through innovative financial products and services to provide better financing services for enterprises.

2.3 Financial support supports innovation-driven development

Financial development can not only provide financial support for scientific and technological innovation, but also provide support for information processing, risk control, industry supervision and other aspects. A well-functioning financial system provides incentives and risk-sharing platforms for technological innovators through financial markets. Financial development level has many indicators, such as financial scale, financial efficiency, financial system, etc. The larger the scale of financial capital investment, the more abundant the disposable capital for industrial development, and the higher the level of regional economy financialization. Therefore, financial scale is the most direct indicator to reflect the level of financial development. The improvement of financial efficiency can fully improve the efficiency of capital use and make resources more efficiently allocated. We use the financial correlation ratio, that is, the ratio between the deposit and loan balance and GDP of financial institutions in each province, to measure the financial scale of each region, and the total social fixed asset investment/the deposit balance of financial institutions in each province to measure the financial efficiency. The measurement of innovation level is generally divided into input and output. The former can be measured by the proportion of R&D investment in GDP of the former and the latter by the number of patents granted per capita. Figure 5 and figure 6 respectively show the development trend of financial scale and innovation input in Yangtze river delta region, financial efficiency and innovation output in Jiangsu and Zhejiang regions. It can be seen that from 2005 to 2017, both the financial scale and R&D investment in the Yangtze river delta region have developed rapidly, and the two are complementary. The Yangtze river delta region gives full play to the financial function, activates the capital of financial institutions, and guides it to flow to the real economy, prompting enterprises to increase R&D investment. The number of per capita patent authorization in Jiangsu and Zhejiang regions increased sharply in the first place and slowed down in the later period, but the overall trend of growth was maintained. While the financial efficiency declined in some years, but the overall state of slow rise, so the two regions basically showed the same trend of growth. In the process of implementing the innovation-driven development strategy, fiscal measures and financial means will be combined, and the connection between social capital and real enterprises, especially scientific and technological innovation enterprises, will be realized by means of financial channels and marketization, so that more social capital can be invested in innovation fields. A sound financial institution, a developed financial market and a sound financial system play the roles of providing capital, restricting credit and optimizing resource allocation for scientific and technological innovation-oriented enterprises, so as to realize the coordinated development of the two.

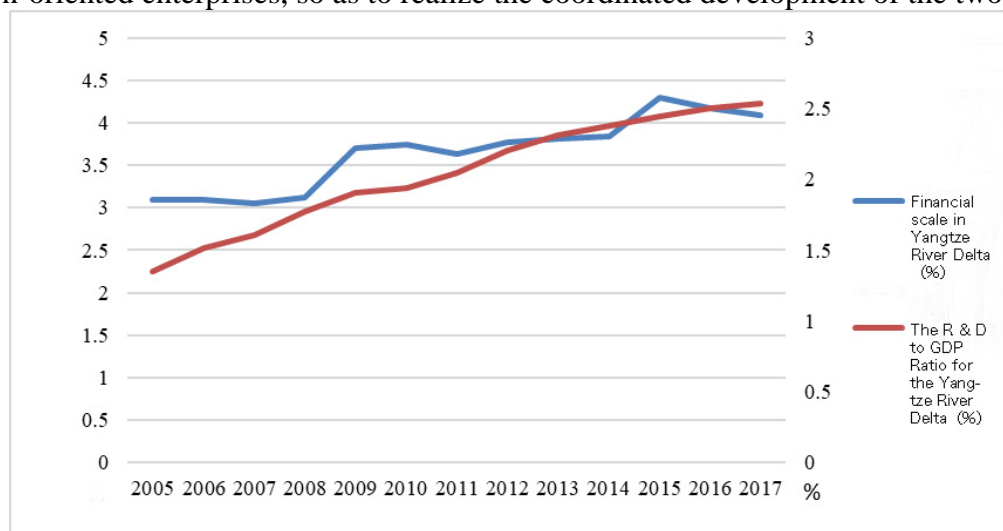


Figure 5. Proportion of financial scale and R & D investment in GDP in the Yangtze River Delta from 2005 to 2017

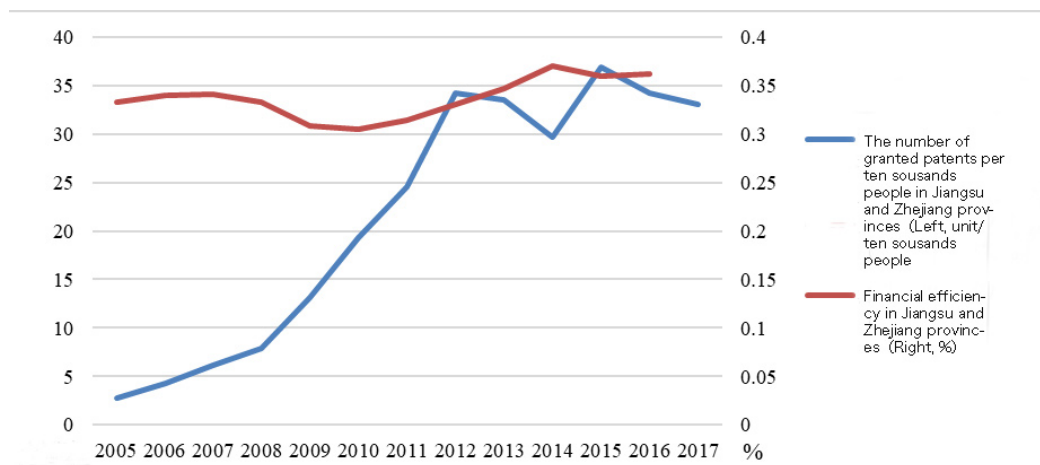


Figure 6. Financial efficiency and per capita patent authorization in Jiangsu and Zhejiang in 2005-2017

3. Conclusion

Based on the practice of economic development in the Yangtze river delta region, this paper studies the role of financial support in promoting and supporting consumption structure upgrading, industrial structure optimization and innovation-driven development, and proves that financial support is indispensable for high-quality economic development. Financial support solves the liquidity constraint by allowing credit consumption, increases residents' consumption of high-tech products, expands the market scale of products, and promotes the development of advanced manufacturing industry. Financial support through convenient means of payment, shorten the transaction time to reduce its transaction costs, increase residents' consumption of services, and promote the development of the service industry. Financial support has not only expanded the demand for products of competitive industries such as service industry and advanced manufacturing industry, but also promoted the optimization and upgrading of industrial structure through its own scale expansion and efficiency improvement, coupled with the implementation of preferential credit policies and targeted innovation of financial products and services. In addition, financial support strongly promotes scientific and technological innovation through the improvement of financial efficiency and the expansion of financial scale, and develops in coordination with innovation-driven development to provide support and guarantee for high-quality development driven by innovation.

The analysis of this paper shows that these effects play an important role in the transformation of the economic development pattern of the Yangtze river delta. The experience of the Yangtze river delta has an exemplary effect on the rest of the country, and the past experience also provides reference for the formulation of high-quality economic development and financial support policies of the Yangtze river delta in the future. With the development of economy, the Yangtze river delta region in addition to the need to continue to accelerate the development of financial industry, improve the residents' consumption structure and through the expansion of domestic demand to promote the development of competitive industries, the implementation of general, at the same time, with the tilt of the credit policy should strengthen the innovation of financial products and services, to strengthen and non-bank financial institutions, government, social institutions of cooperation to ensure that financial innovation can be sexually, for new and high technology and new service companies to provide customized financial products and services to promote the development of high quality and play a bigger role in regional economic integration process.

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