

Financial Creation supports the exploration of the development of the real economy in Shaanxi Province

Fenxian Song^{1,a,*}, Fei GAO^{1,b}

¹Department of Accounting, Eurasia University, Xi'an, Shaanxi, China

^asongfenxian@eurasia.edu

^b87543708@qq.com

*corresponding author

Keywords: Financial Innovation, support, real economy, development

Abstract: This paper analyzes the impact of the financial innovation on the development of the real economy in Shaanxi Province, based on the current situation of the real economy in Shaanxi Province, this paper puts forward some countermeasures and suggestions on optimizing financial creation to support the development of real economy in Shaanxi Province.

1. Analysis on the development status of real economy

1.1. The steady economic performance has reduced

In 2019, the Shaanxi provincial GDP reached 2.597317 trillion yuan, an increase of 6.0% over the previous year. The gap with the national GDP narrowed from 0.9% in the first half of the year to 0.1% in the whole year. However, a longitudinal comparative analysis of the GDP and growth rate data from 2015 to 2019 shows that the 2019 GDP growth rate declines significantly. Due to the impact of the epidemic in 2020, the GDP growth rate is expected to decline further, moreover, the province will face great pressure of economic decline in the future.

1.2. Industrial structure stability

In 2019, the added value of the primary industry reached 1,990.093 billion yuan, up 4.4% and accounting for 7.7% of GDP; the secondary industry reached 11.98075 billion yuan, up by 5.7%, accounting for 46.5%; the tertiary industry reached 1.182149 trillion yuan, increased by 6.5%, accounting for 45.8%.

According to the analysis, the secondary industry is slightly higher than the tertiary industry. However, the secondary industry's growth rate of 5.7% was much lower than the tertiary industry's 6.5%. It means the development of the secondary industry is still inadequate and the contribution to the overall economic is insufficient.

1.3. Steady progress was made in the "Three Economies"

From January to November 2019, the actual utilization of foreign capital was 7.264 billion dollars, an increase of 34.8% over the same period for last year. The investment along the "One Belt and One Road" project increased by 49.1%. The China-Europe freight train has been running 2,133 trains throughout the year, carrying a total cargo weight of 1.802 million tons; furthermore, the fifth passenger and cargo routes have been opened, air cargo throughput increased 21.2% in Xi'an Xianyang International Airport. Investment in the road transportation industry increased by 10.6%, and the construction of the transportation sector was accelerated.

2. Analysis on current situation of financial innovation supporting real economy

Actively promote financial structural, the Supply-side reform in Shaanxi monetary and financial development. In the first half of the year, the scale of credit and social financing has increased, the cost of financing for enterprises has decreased, the financial support to the weak links has increased significantly, and the level of financial services has been continuously improved.

2.1. Monetary policy guidance

In the first half of 2019, the People's Bank of China in Xi'an branch is committed to manage the use of various monetary policy tools, provide liquidity support, steadily in central bank money policy effect assessment, build the refinancing and rediscount, the mechanism of monetary policy, promote institutional investor intensify in the field of agriculture and small area lending.

2.2. The scale of social financing increased

According to statistics, at the end of June 2019, The balance of further credits supported by credit policies in Shaanxi Province was 13.219 billion yuan, of which the balance of further credits for agriculture was 9.477 billion yuan; the balance of small further credits was 3.742 billion yuan, both of which increased year-on-year. Compared with last year, rediscount breakthrough billions of capital operation time for five months ahead of schedule, rediscount dropping speed hit an all-time high. In the first half year, the scale of credit and social financing increased to 225.93 billion yuan.

2.3. Structural reforms to boost financial supply side

In the first half of 2019, the Xi'an Branch actively promoted financial supply-side structural reform, strengthened the window guidance for financial institutions, made full use of various monetary and credit policy tools, and improved the guidance efficiency, and actively promoted the innovation of financial products and services. Under the guidance of a series of policies and measures, the financial institutions have strengthened their credit support to the weak links. Firstly, the proportion of non-state-owned enterprise loans has increased rapidly; secondly, the scope of credit for small and micro enterprises has been expanded; thirdly, financial assistance for poverty alleviation has achieved remarkable results; fourthly, financial services for rural revitalization to improve quality and efficiency; fifthly, the pace of green credit development accelerated.

3.Existing problems

3.1. Financial innovation supports the structural imbalance of real economy

At present, the financial services in Shaanxi Province have distinct levels, but there is a huge difference between urban and rural areas. In addition, especially for the small enterprises and agriculture is obviously insufficient. Bank, as typical intermediaries, is the main source of financing for real enterprises, while direct financing sources account for a small proportion. Once enterprises excessively rely on bank credit financing, it will not be conducive to the improvement of asset appreciation ability and the control of enterprise financing cost. As a result, enterprise financing channels are narrow, and it is difficult to strengthen the function of finance to support the development of real economy.

3.2. The accuracy of financial resources allocation needs to be improved

The function of financial service cannot fully meet the needs of the development, which is reflected in the process of the supply-side reform. Commercial banks reduce the cost of capital and choose to focus on fixed asset investment and manufacturing services, while modern services, green and environmental protection industries, emerging industries and other industries are in the weak links of financial services. In addition, the transformation mechanism of savings and investment of financial institutions is not complete, and private funds cannot participate in supporting the development of

real economy through legal channels, resulting in serious waste of resources and unsatisfied financing demand of real economy.

3.3. The innovation of financial products is not enough

Due to the outdated financial products and models of financial institutions, their supporting effect and service ability for the development are constrained. Some financial products and service models in banking, insurance and other industries remain unchanged, unable to meet the needs of the market and customers. There are also some financial institutions that do not consider the real needs of the market and customers at all, and have high requirements for product access, which are difficult to be accepted by customers.

3.4. The "financing difficulty" phenomenon of small enterprises is more serious

In developing the new economy and fostering new drivers of growth, private enterprises, small businesses will have a big role to play. However, for a long time, "difficult financing, expensive financing" and other problems have been plagued by the rapid growth of private enterprises and small and micro enterprises. In particular, under the Covid-19 epidemic environment in 2020, the development of real economy would be seriously affected, especially cultural tourism, accommodation and catering, offline education and training and other industries were impacted a lot. Some small enterprises are in trouble and facing bankruptcy.

4. Suggestions on financial innovation supporting real economy

4.1. Strengthen coordination of financial systems in various forms

To improve the system of policy banking institutions, establish new policy banks targeted at strategic emerging industries and strategies; to promote the marketization process of state-owned commercial banks, through the restructuring of the organizational system of state-owned commercial banks, improve their supervision and regulations, and strengthen internal management; to advance the supply-side reform of commercial banks and maintain an appropriate increase in credit, explore the loan business. Optimize the business process of bank credit, implement different and reasonable loan models for different enterprises, and promote the recycling and renewing loan model for high-quality enterprises.

4.2. Adjust the financial support structure

Financial support to improve the efficiency of financial resource allocation, rational allocation of financial resources to the entity economy development of key areas. Firstly, take the initiative to serve the country's economic layout and development direction, coordinate urban and rural development, focus on the needs of key regions; secondly, focuses on the industries related to epidemic prevention and control, provide differentiated and preferential financial services to small enterprises, and help them to relieve difficulties; thirdly, inclined to agriculture field, develop inclusive finance, encourage the local financial enterprises continue to optimize the operating environment for small enterprises, improve financial services and quality; fourthly, improve the capital market and expand financial service channels, issue collective bonds, privately raised bonds and others to raise funds.

4.3. Promoting financial innovation

4.3.1. Adjustments should be made according to risk status

Based on the industry and market, the entry threshold and interest rate should be set, and the financial products and services should be developed with the enterprise demand as the guidance, so as to effectively improve the ability of financial innovation to serve the real economy.

4.3.2. Strengthen the training of financial innovative talents

Actively introduce and train innovative financial talents, guide employees to actively participate in product innovation through improving performance indicators and establish monitoring and post-evaluation mechanisms to continuously optimize financial products, to better provide support services for enterprises.

4.3.3. Pay attention to the innovation of financial products and financial service

(1) Banking industry: should continue to increase support for rural areas, culture, green, people's livelihood, small and micro finance;

(2) Insurance financial institutions: should increase the proportion of insurance businesses to provide more insurance products and services for the development of the real economy;

(3) Securities industry: should accelerate the promotion of direct financing instruments that can benefit micro, small and medium-sized enterprises.

4.4. Improve the financial market supervision and management system

In the process of the management of the financial markets in Shaanxi, use ratio to increase financing entity enterprise's financial support, to ensure that financial resources reasonable match to the real economy, then, strengthen the management of the flow of funds in the financial market and improve the flow speed of funds in the financial market, finally, strengthen the implementation of Shaanxi's financial system to prevent artificial manipulation of the financial market.

4.5. Expand non-governmental financial channels

The government can adjust the folk funds in financial markets, the increasing integration of the ability of private financial markets, to develop a lending to support the development of the real economy of the folk financial management policy. And guide the private financial capital to inject vitality into the development of real economy enterprises, the government through guiding financial policies, let the private capital in the province get corresponding compensation in the investment.

Acknowledgment:

Phased achievements of the 2018 Shaanxi Provincial Department of Education Project: Research on Financial Innovation Support for Shaanxi Real Economy Growth under the Background of Supply-side Reform (No.18JK1061).

References

- [1] Zhai Xiaoqian. Discussion on incentive mechanism in human resource management of Public Institution. *Human Resource Management*, vol.3, no6. pp.68-69,2017.
- [2] Liu Ruijing. An analysis of the role of incentive mechanism in human resource management of Public Institutions. *Managing Director*, vol.5, no10. pp.75-76,2016.
- [3] Zhang Fang, Qin Jingxing, Xue Jingru. Problems and countermeasures of financial support to real economy development in Liaoning Province. *Foreign Trade and economic cooperation*, vol.10, no12. pp.126-128,2017.