

Financial Development and Economic Growth: An Empirical Analysis Based on China

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Abstract: Financial development has an important connection with economic growth, and the center of economy is finance. Whether the finance develops well has the important influence to the economic growth. A financial market with a good environment is not only conducive to market expansion and capital accumulation, but also can play an important role in promoting economic growth. The maturity of financial development and economic growth can drive the development of a country's comprehensive national strength. This paper will demonstrate and analyze the financial development and economic growth, which is based on the empirical research of China.

1. Economic Growth and Financial Development

As we all know, the economic level of a country is the key to determine the overall national strength and the status of the country. The economic base is the foundation of the superstructure. Therefore, no matter from which aspects, efforts to improve our financial development can further enhance our economic growth and comprehensive national strength. The argumentation of anything must proceed from reality, and the perfection and progress of our country's financial development and economic growth must also be analyzed by our country's financial empirical evidence. This paper will carry out specific research and put forward targeted policy recommendations and development strategies.

At this stage, a well-developed financial system is conducive to the improvement of savings, the transformation of savings to investment and the improvement of production efficiency, which can also promote economic growth. Based on the research of financial development and economic growth, this paper establishes the model of financial development. After using the data of China's economic development, the main conclusions are as follows: the progress of technology level and the rapid innovation of system are the most critical art of China's economic growth. Since the reform and opening up, China has made great efforts to seize the opportunity of innovation and to adapt to the process of world economic development, without simply pursuing financial development and the quantity of capital markets, and has paid more attention to the quality of the financial system. In a social model, the precondition of social development is economic growth, and there are many factors that affect economic growth, and there will be different growth directions and conditions under different national conditions and different economic systems. Therefore, in the process of financial development and economic growth, our country does not copy mechanically, but carries on the worldwide summary study based on its own national conditions, and considers the domestic situation in combination with the experience of foreign countries. After analyzing the economic growth process of rich countries, we can find that the basis of economic growth in various countries is to constantly find the source of economic growth, from the perspective of financial development, this is an important measure of economic growth. In addition, we will elaborate on the financial development, the main contents include: China's financial development level has been developing rapidly since the reform and opening up, which has also become the main trend. "Finance is very important, is the core of economic development," the theory is summed up by Comrade Deng Xiaoping in the study of foreign experience, the facts proved that this argument is correct. Although China has reached the level of a well-off society, the current financial system and the transformation of the mode of economic growth have some practical significance for modern Chinese society [1].



Figure 1 Financial developments

2. China's Economic Growth and Financial Development Combined with China's Empirical Concrete Development Mode

In recent years, with the rapid development of China's capital market, the amount of capital market financing is also increasing, and gradually become an important aspect of the real economy source. The attitude of traditional macro-control indicators to this reflects the financial support for the development of the real economy, that is, new credit. Based on this fact, when China Economic Work Conference put forward the concept of financing scale, it provided the total amount of funds to the real economy. Among them, the phenomenon that the long-term financing structure is unreasonable has changed only in recent years. Statistics[2]Of the total amount of social financing in China in 2012, the net financing of corporate bonds and equity financing in non-financial enterprises reached 2.5 trillion yuan, and the proportion of total financing scale has increased from 4.9% in 2002 to 15.9%. China's financial development and economic growth have been closely linked for a long time, no matter from which direction the development is not perfect to take off track. The operation of a complete economic system, in addition to relying on economic growth, must also ensure that economic growth and financial capital cooperate with each other. For a simple example, the current manual gear must match the speed of the manual gear, and if there is a conflict, the entire system will be ineffective. This is the real relationship between economic growth and financial development. Chinese society is now in the golden period of economic development. With the improvement of people's consumption ability, the steady speed of economic growth is inevitable, and at this time, the capital accumulation of finance becomes more and more important. The accumulation of financial capital includes many aspects of social development. China should actively mobilize the effective accumulation of capital and improve the stable development of finance. With the deepening of the aging of the society, the labor force of our country will be more and more scarce, but it is very important to ensure the economic growth of the society and the financial development of the country, so our country must find appropriate countermeasures to deal with this problem. At this stage, in order to solve this problem, our country has implemented the policy of late retirement age, which can greatly play the role of workers at the level of high level of talent resources. Talent is an important factor in the creation of social resources and benefits, so we must actively deal with the problem of talent in order to ensure China's economic growth and financial development [3].



Figure 2 Financial developments

3. Problems and Solutions to China's Economic System Development

From the point of view of China's national conditions, our economic system must constantly adapt to the direction of economic growth and financial development in order to continuously promote it to solve existing problems and promote economic development. China is a large developing country, the national economic growth and financial development in the process is bound to be twists and turns. Therefore, many aspects should also be taken into account in the process of solving problems. First of all, one of the biggest problems in China's economic system includes talent and labor. Due to the poor quality of our labor force, the serious aging of the population and the problem of environmental pollution have been constantly implied that our economic growth and financial capital can no longer be deformed development, must achieve sustainable development. In the labor force problem, in order to temporarily alleviate the labor force problem, our country is implementing the policy of delayed retirement of talents. Although this can help our country to ensure the quality of economic growth in a certain period of time, in order to solve this problem thoroughly, we must start from education, and the relevant education sector is also carrying out educational reform. The educational reform starts from the situation of cultivating talents and trains the corresponding scientific and technological talents pertinently, which is very in line with the educational concept of the new era, the applied talents needed by the country must be used up, and the educational model of the new era must be innovated. These will drive the quality of economic growth and financial development. In addition, the state must implement link protection measures, although in recent years, China's environmental protection has embarked on the road of development, but to better restore the ecological environment still need to adhere to a series of measures.

This paper uses Chinese provincial panel data to empirically test the relationship between China's financing scale, financing structure and economic growth and productivity improvement between 2001 and 2011. Results: First, the total amount of financing. Relative to the growth and expansion of the real economy in the annual economic growth has a positive impact, this paper attributed to the financial system and the banking system in recent years to improve the efficiency of capital allocation. Secondly, the measurement of the proportion of capital market shares in financing and the increase of direct financing ratio have a hindrance to economic growth and productivity. This is directly related to the single capital market positioning dominated by SOE financing. In the financing of state-owned enterprises at the present stage, the capital market has not played a major role in optimizing the allocation. Third, the direction of financial development and economic growth in China at the present stage is mainly realized through the way of production efficiency, which is contrary to the conclusion of capital accumulation in the literature.

Based on the above analysis, the following policy suggestions are put forward: first, continue to weaken the Chinese language of local governments on bank credit, promote the commercialization reform of state-owned banks, speed up the credit structure of small and medium-sized financial institutions, fundamentally reverse the structural bias of bank credit investment, and make the banking system really play the role of optimizing allocation. Second, we should speed up the development and improvement of the multi-level capital market environment so that the capital market can really have the role of resource allocation, guide social capital into high-efficiency enterprises and increase the proportion of financing. On the one hand, we should improve the mechanism of issuing new shares as soon as possible and expand the development of small and medium-sized enterprises and entrepreneurial markets. On the other hand, we should expand the market of direct debt financing of enterprises, reduce the threshold of corporate bonds, and innovate and design more debt financing instruments and institutions suitable for SMEs in view of the low credit rating of SMEs. Third, although expanding credit financing is beneficial to financial development and economic growth, considering that the proportion of credit balance in GDP is already very large, this paper does not advocate increasing credit financing, but adjusts the structure of credit financing and the efficiency of use.



Figure 3 Financial developments

4. Conclusion

To sum up, the development of comprehensive national strength is multifaceted, and the economic growth and financial development mentioned above are the basis, but the other issues mentioned on this basis need further analysis. In the process of striving to improve its foundation, we can really solve problems and bring good news to the Chinese people and even the people of the world from the national conditions.

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