

# *Research on Financial Development to Support High-Quality Development of the Southwest Region Economy*

Fengjin Liu

*School of Economics and Management, Guangxi Normal University, Guilin, Guangxi, China*

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**Abstract:** Financial support for the high-quality development of the southwest region economy is a necessary measure for the implementation of the Party Central Committee's strategy for the governance of the southwest region, and an inevitable choice for serving the national strategy and playing the role of financial support. The financial industry of the southwest region, especially the banking industry, has actively cooperated with the implementation of various preferential policies of the central government for the southwest region. And they provided various financial services from the perspective of the urgent interests of all ethnic groups in the autonomous region, especially the vast number of farmers and herdsmen. This measure not only to help the local people develop their production and improve their living standards, but also to unite people's hearts and forces, play an important role in promoting the economic and social development of the southwest region. The article analyzes the support from finance for the high-quality development of the southwest region economy as well as the existing challenges, and puts forward specific suggestions to solve the problem of better financial support for the high-quality development of the southwest region economy based on the actual financial situation in the southwest region.

## **1. Introduction**

Located on the southwestern border of the motherland, the southwest region is an important ecological security barrier in China, and the frontline and main battlefield in the anti-separatist struggle. In recent years, under the cordial care of the Central Committee and the State Council, the Party Committee and the government of the southwest region Autonomous Region have been closely focusing on the goals and positioning of "two ensures" and "one pioneer zone", actively adapting to the new requirements of the new era, and actively promoting the high-quality development of the economy and society of the southwest region. Finance is the pillar of modern economy and the foundation of high-quality development. Finance plays an indispensable and important role in promoting high-quality development, and can directly promote the optimization and upgrading of industrial structure, environmental transformation and low-carbon transformation, improve people's living standards and enhance their well-being.

## 2. Financial Support for High-Quality Development of the southwest region economy

### 2.1. Finance Total volume growth is good

In recent years, the southwest region's financial industry has accelerated its development, continued to help local economic development by absorbing idle resources in society, and provided large-scale credit support for the real economy of the autonomous region. 20 At the end of 23rd year, the balance of all loans in the southwest region amounted to 601.154 billion yuan, which was 10.99 percent higher than that of last year and 0.89 percent higher than the national average, and increased 31.412 billion yuan year-on-year, with both the growth and the increment were both at a record high in the last five years, and the balance of agriculture-related loans was 173.550 billion yuan, an increase of 8.74 percent over last year and 5.11 percent year-on-year. The balance of RMB deposits of financial institutions in the region amounted to 635.624 billion yuan, an increase of 13.7% over the previous year. Among them, household deposits amounted to 135.769 billion yuan, an increase of 17.9%. The balance of RMB loans from financial institutions amounted to 541.617 billion yuan, an increase of 5.5%. The overall operation of the financial industry maintained stable growth, helping the economic development of the southwest region[1].

### 2.2. Inancial Services for Rural Revitalization in the southwest region

From Table 1, it is known that the overall level of economic development in the southwest region is not high, and the gap between the overall income and that of the whole country is large. In 2022, the overall income of the southwest region will grow by 6.9%, and the rural area will grow by 7.5%, and the difference between the income of towns and the rural area and that of the whole country will not be large, which reflects that the development trend of the economy of the southwest region is good.

Table 1: Comparison of income between the southwest region and the whole country in 2022

Area (indicator)	population (statistics)	year-on-year increase	cities and towns	year-on-year increase	countryside	year-on-year increase
The southwest region	26675	6.9	48753	4.8	18209	7.5
nationwide	36885	5.0	49283	3.9	20133	6.3

Source: National Statistical Office

All along, the southwest region's financial institutions have been increasing their financial support for rural revitalization, and have continued to implement various measures of financial support for rural revitalization. While maintaining stable credit policies in the main areas of financial support for poverty alleviation, they have implemented more targeted and comprehensive measures. And in response to the autonomous region's ongoing rural revitalization efforts, they have innovatively launched "Rural Revitalization - Fixed Border Loan, Xing nong e-Loan - The southwest region Dressing Loan, Rural Revitalization - Cordyceps Loan, and Rural Revitalization - Green Barley Industry Loan" and other. In September 2023, the balance of agriculture-related loans in the region was RMB 171.666 billion, an increase of 8.64 percentage points year-on-year, and the level and capacity of financial services for agricultural revitalization continued to improve.

### 2.3. Increased financial support for the development of the real economy in the southwest region

Financial institutions under the jurisdiction of the southwest region stimulated consumption

potential and promoted consumption upgrading. The southwest region banking institutions continued to improve their support for key areas of the regional economy, such as science and technology innovation, inclusive finance, green finance, etc., and kept supporting the development of the real economy. As of the end of May 2023, the balance of inclusive loans for small and micro enterprises (commercial loans for individual businessmen and small and micro entrepreneurs, as well as one-off loans of up to €10 million) amounted to RMB 29.042 billion, a year-on-year increase of 32.96%. The balance of consumer loans in the region amounted to RMB 66.177 billion, up 12.52% year-on-year, and the balance of short-term consumer loans amounted to RMB 16.660 billion. Financial institutions in the region vigorously enhanced consumption and promoted consumption growth[2].

### 3. Challenges in Financial Support for High-Quality Development of the The southwest region Economy

#### 3.1. Mall and microenterprises have difficulties in financing and are constrained in their development

Due to the southwest region's unique geographic location, only a few large financial institutions, such as the Agricultural Bank of China, the Postal Savings Bank and the Bank of the southwest region, are widely distributed in the region, with the rest of the financial institutions concentrated in Lhasa. MSMEs occupy an important position in the main body of the market economy of the southwest region, playing an indispensable role in promoting economic growth, boosting employment and maintaining social stability. According to statistics, by the end of 2020, the number of MSMEs in the southwest region Autonomous Region had exceeded 350,000, with 97.1% of them paying less than 3 million yuan in taxes, accounting for 88.16% of the total. Although they occupy an important position in economic development, their share of loan financing is less than 50% of the total, reflecting an imbalance between tax and loan financing for SMEs, which are an important part of the southwest region economy, and an obvious financing disadvantage between SMEs and large enterprises.

#### 3.2. The level of industrial structure is still low, making it difficult to support high-quality financial development.

Table 2 shows that the southwest region is gradually forming a "three-two-one" structure. In 2012, the tertiary sector accounted for 57.6%, the secondary sector 31.8%, and the primary sector 10.6%. In 2022, the tertiary sector will still account for the largest share of 53.82%, the secondary sector 37.73% and the primary sector 8.45%. The tertiary industry accounts for the largest proportion, mainly due to the development of tourism, transportation and insurance in the southwest region. However, the southwest region's level of economic development is relatively low, and its industrial base is generally weak and underdeveloped. Overall, although the southwest region is endeavoring to give full play to its resource advantages and to adjust and improve its industrial structure, the level of the industrial structure is relatively low, the traditional industries are in urgent need of upgrading, and the industrial base is relatively weak. The pressure to optimize and improve the industrial structure of The southwest region is still very great[3].

Table 2: Share of three industries in GDP of The southwest region in 2012 and 2022 (Unit: %)

Year (indicator)	primary sector of industry	secondary sector of industry	tertiary sector of industry
2012	10.6	31.8	57.6
2022	8.45	37.73	53.82

Source: the southwest region Bureau of Statistics

### **3.3. Hortcomings in the construction of multi-level capital markets**

The development of capital market in the southwest region is very backward, and the market capitalization accounts for a relatively low percentage. As of the end of May 2023, the number of A-share listed companies in the region was only 22, with a total market capitalization of 240.370 billion yuan, which accounted for only 0.26% of the total A-share market capitalization. On the one hand, constrained by the level of regional economic development, the proportion of direct financing is relatively low; on the other hand, constrained by the financial ecological environment, the listed companies of low quality, small size, weak innovation and other issues are still relatively prominent; on the other hand, constrained by the backwardness of the infrastructure of the financial market, the trading and settlement, registration and custody, disclosure and other infrastructure is not perfect[4].

### **3.4. Deficiencies in the financial credit system**

First, the credit system is not sound. Problems such as the late start of credit system construction in the southwest region, a weak foundation, a dysfunctional mechanism and an imperfect platform still exist.

Second, credit awareness is weak. Due to the influence of historical and geographic factors, social consciousness of credit in the southwest is relatively weak.

Third, the enterprise integrity awareness is low. Some enterprises have a weak sense of integrity management and lack a sense of social responsibility and historical mission.

## **4. Countermeasures for Financial Support for High-Quality Development in The southwest region Recommendations**

### **4.1. Nhancing financing for MSMEs**

On the one hand, the legal requirements for commercial banks to lend to small and microenterprises have been relaxed, giving these banks more autonomy and allowing them to set their own business development objectives. Attempts to remove mandatory requirements for commercial banks to lend to small and microenterprises would change the mindset of regulators and introduce different assessment criteria based on the distribution of banks and the size characteristics of institutions in the country. This would encourage technological innovation by commercial banks and address the long-standing problem of high costs of lending to small and microenterprises. This could be addressed by promoting innovative credit risk practices among commercial banks and developing financial products specifically designed for small and microenterprise lending.

On the other hand, it enhances the development capacity and creditworthiness of small and microenterprises themselves, utilizes government forces to establish and develop a financing guarantee system for small and micro-enterprises in the southwest region, improves the competitiveness of small and micro-enterprises in obtaining financial assistance, and seeks to revitalize the endogenous dynamics of the southwest region's financial system and market main bodies, improve the level of trade, and overcome the "low-balance predicament" caused by the imbalance of both supply and demand. To overcome the "low-balance dilemma" caused by the imbalance between supply and demand, and to alleviate the financing difficulties of small and microenterprises in the southwest region.

### **4.2. Promoting the upgrading and optimization of multilevel structures**

Accelerating the development of financial science and technology and assisting in the high-quality development of the southwest region economy. First, the southwest region should vigorously develop the digital economy and promote the deep integration of informatization and industrialization. Second,

the southwest region should actively build a financial technology system and promote the innovative application of modern information technology such as the Internet, big data, artificial intelligent and other modern information technologies in the field of finance. Third, the southwest region should establish and improve the regulatory framework for financial technology and promote the digital transformation of the financial industry in accordance with the law. Fourth, the southwest region should improve the mechanism for the regulation of Internet finance and the prevention of risks, accelerate the construction of a multilevel financial technology structure system suitable for the southwest region's characteristics, and increase support for key industries and fields in the southwest region.

#### **4.3. Promoting the construction of a multi-level capital market to provide a financing platform for enterprises**

Firstly, the southwest region should deepen financial reform and innovation, and accelerate the financial supply-side structural reform. In accordance with the strategic deployment and overall requirements of the Central Government on deepening the structural reform of the financial supply side, the financial organization system, product and service system and regulatory system will be further improved.

Secondly, it will vigorously develop green finance, support qualified enterprises to issue green bonds and green asset securitization products, and support the development of green industries such as eco-tourism, industries with ethnic characteristics, and special agriculture and animal husbandry.

Thirdly, it will vigorously cultivate and develop the capital market and improve the multi-level capital market system. It improves the multi-level capital market system, increase the proportion of direct financing for enterprises, and promotes the two-way opening of the capital market.

#### **4.4. Optimizing the financial ecosystem and improving the financial credit system**

On the one hand, it has continued to promote the construction of the credit system, strengthened the collection and sharing of credit information, and improved the mechanism of joint incentives for trustworthiness and joint penalties for breach of trust. It is necessary to vigorously implement the work of building the financial ecological environment, and build a credit environment, legal environment and market environment.

On the other hand, the financial ecological environment should be further optimized, and relevant laws, regulations and rules should be established and improved, so as to set up a long-term mechanism conducive to the construction of the financial ecological environment. For example, it is necessary to establish and improve the credit system, improve the financial institutions credit rating management methods and disciplinary system; it is necessary to establish and improve the disciplinary mechanism for breach of trust, and implement disciplinary measures for breach of trust in accordance with the law[5].

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