Analysis of the Effectiveness of Financial Innovation in Economic Transformation and Upgrading

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Abstract: Under the background of economic transformation, scientific selection of financial development mode to promote the sustainable development of China's regional economy is of key significance for realizing the transformation of China's economic development mode and economic optimization. Combining the background of the times, it proposes economic transformation and financial innovation path selection: optimize credit structure and promote coordinated development of industry; develop science and technology finance, promote scientific and technological progress; develop green finance, strengthen ecological environmental protection; develop consumer finance, support demand structure adjustment; Level finance, promote regional balanced development; develop county finance and promote rural economic development.

1. Introduction

Under the continuous improvement of the market economy, China's economic development has increasingly entered the period of economic transformation, and the transformation of economic development mode has become an important strategy and basic goal for China to implement the scientific development concept. The 19th National Congress clearly put forward the strategic task of accelerating the transformation of economic development mode. Only by changing the extensive growth mode and realizing the optimization of China's economic growth model can we finally promote the improvement of China's economic development quality and enhance the market's ability to resist risks and China's international competitiveness. The reality of the current market development is that China's fast-growing economy has been driven by investment and savings, especially the economic model of investment growth, which has become the paralysis of China's economic development and increasingly restricts the pace of China's economic progress [1].

The economy is the foundation, and economic development determines financial development. In turn, financial development directly affects China's financial development. Finance is an important driving force for the rapid development of China's economy. Effectively utilizing the advantages of financial leverage to guide the role of boosters to China's economic development is conducive to promoting the financial services economy and optimizing the economic development mode. How to realize the regional economic development and financial innovation under the economic transformation has become an urgent problem to be solved in China's economic development.

2. The relationship between regional economic development and financial innovation

2.1 The impact of financial markets on regional economic development

As an intermediary, financial markets are securities transactions between investors and savers, which can reduce transaction costs and information costs. However, the current economic development between China's regions is relatively unbalanced. This is because the development of financial markets in the central and western regions is relatively small, and is affected by factors such as transaction costs and time and space gaps between investors and savers [2]. There is a lack

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of adequate financial support for economic development. Financial markets are mostly built in the developed eastern regions. When the central and western regions use financial markets for securities activities, the implementation costs, contract performance, negotiation costs, transaction costs, etc. between investors and savers are significantly higher than in the eastern region. Will affect the willingness of investors and savers to engage in financial activities, it is difficult to ensure the quality of capital formation and the effective use of capital, affecting economic growth.

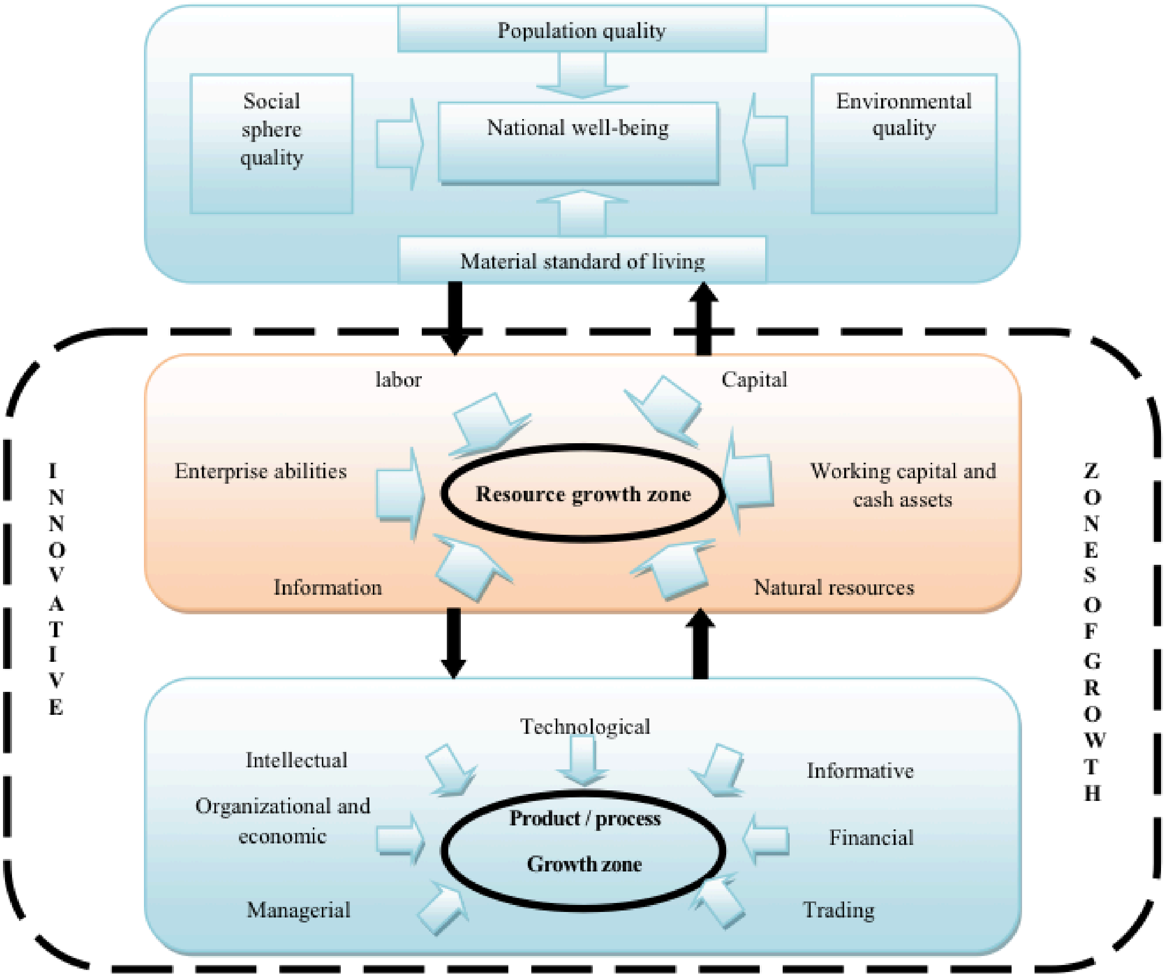

Figure 1. The impact of financial development on regional economic development

2.2 The impact of financial intermediation on regional economic development

The operation of the financial institution itself will affect the development of the regional economy. This is because the financial institutions in the central and western regions of China are affected by their own factors or the external environment, which affects the operational efficiency, resulting in an increase in the information costs and transaction costs of borrowers and investors. The expected rate of return on investment by investors has curbed the rise in demand from regional investors. The financial institutions in the central and western regions have relatively weak innovation capabilities. Financial derivatives and financial instruments generated in terms of quality and efficiency and quantity are unable to meet the needs of investors. They cannot provide investors with diversified means of avoiding risks, which seriously affects Investment needs [3].

3. Key points of financial market innovation in China's economic transition period

3.1 Results analysis

In recent years, the innovation of China's capital market is mainly reflected in innovations in financial systems, market structures and financial instruments. In terms of financial system innovation, China's capital market has basically completed the issue of the full circulation of securities issuance after the completion of the share-trading reform. In terms of market structure innovation, China has gradually established a multi-level capital market system consisting of the stock market main board, small and medium-sized board, GEM, agency share transfer system and commodity and financial futures markets. In terms of financial instrument innovation, in recent years, the business innovation of the stock market, the innovation of fund varieties around the stock market, and the innovation of financial derivatives such as warrants have also been active. In the bond market, corporate bonds have become a hot investment. As shown in the figure below, it is China's financial development data as of the end of 2016.

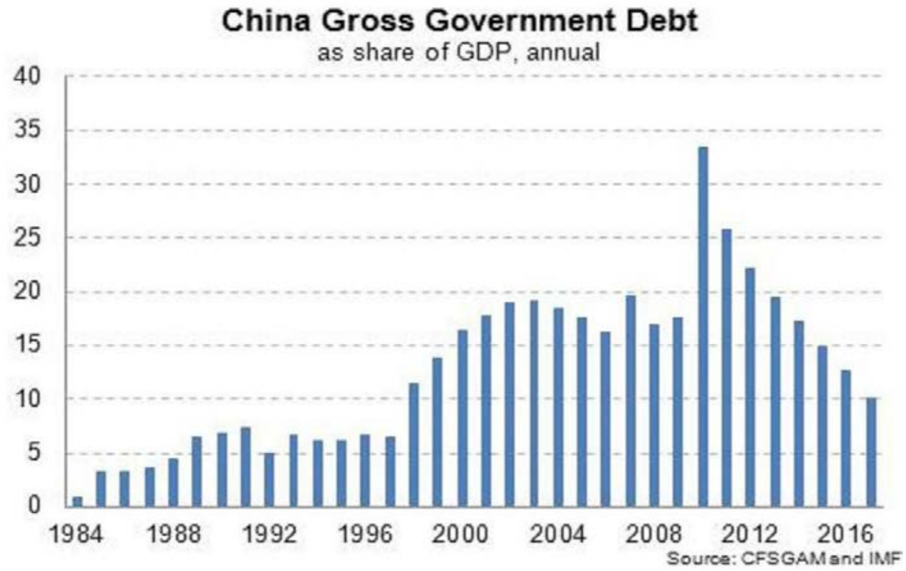

Figure 2. China Financial Development Data from 1984 to 2016

3.2 Exposure problems

Due to historical and institutional reasons, China's capital market is still in the transition stage, and there are still many problems in the development of the capital market. Firstly, there is a shortage of financial products, lacking more services such as small and medium-sized enterprises, agriculture, real estate, and other derivatives of the real economy that are at an important position in the economic transition period. Although there are many financial products in China's financial market, these tools cannot meet the needs of China's current economic development. For example, the wealth management products provided by commercial banks are mostly short-term currency instruments, and the stock market fluctuations are difficult to meet various risk preferences. Investors; the types of bond products are not rich enough, and the wealth management products suitable for long-term investment are scarce, and the types of safe-haven financial derivatives that are spot varieties of national debt are lacking. Therefore, in addition to stock index futures, China's capital market, stock index options, stock futures, stock options, treasury bonds futures, interest rate futures and other derivatives have yet to be launched [4]. At the same time, the futures market lacks institutional investors and lacks scientific management of rational investment, which cannot effectively promote the standardized development of the futures market. Secondly, the regulation of the capital market is not compatible with its financial innovation needs. In terms of regulatory concepts, China's capital market is mainly based on risk prevention and control; in the capital market supervision means, administrative means are more than market-based supervision means, which is not conducive to the role of market mechanisms. Thirdly, the regulatory authorities lacked uniform standards, and the regulatory objectives and processes were too microscopic, resulting in excessive regulatory costs and, more seriously, restrictions on capital market innovation. At present, the regulatory concepts, regulatory methods and methods of China's capital market are not conducive to the innovative development of the capital market.

3.3 Development key points

3.3.1 Conducting capital market financial product innovation

According to the problems that need to be solved in China's economic transition period: industrial upgrading, SME financing, serving "three rural", meeting the security needs of the securities market, etc., carrying out financial product innovation for the development of China's capital market, and solving the specific problems encountered in economic transformation. The problem is to realize the functions of hedging, financing and profit of financial innovation products and promote the development of China's capital market.

3.3.2 Carrying out financial system innovation

Innovate financial systems for financial market financial innovation products, realize risk management, ensure the standardization of financial assets development, promote the development of China's capital market more stably, and finally realize the use of capital market to optimize resource allocation, improve the efficiency of state-owned enterprise reform, and enhance the efficiency of financial markets. Guide and promote the smooth transformation of China's economy.

4. Regional Economic Development and Financial Innovation Path and Utility under Economic Transformation

4.1 Optimize credit structure and promote coordinated development of industry

Due to the influence and constraints of the planned economic system in the past, China has adopted an extensive approach to economic development and placed too much emphasis on the development of the secondary industry, especially high-industry and energy-efficient heavy industries, while ignoring the tertiary industry and the primary industry. The development has led to an unreasonable industrial structure, which has largely affected the coordinated development of the national industry. Generally, the uncoordinated industrial structure and the increase of industrial gap in China can be analyzed from the pull rate and contribution rate of the three major industries over the years. In the period of economic transformation, we must gradually change the situation of relying on the development of the secondary industry, and actively transform into a form of coordinated development of the first, second and third industries to achieve sound development of the economy. Finance has obvious advantages in resource optimization and allocation, and it has a capital-oriented role, which is conducive to macroeconomic regulation and control of the national economy. Therefore, using finance to optimize the credit structure and promote the coordinated development of the industry has become an inevitable development trend of the market economy. Through financial means to adjust credit support for heavy industry, strengthen bank credit supervision, moderately reduce the preferential margin of credit, increase the threshold of credit and interest rates, and effectively limit the development scale of "three high" enterprises. At the same time, it will exert its financial adjustment advantages, increase financial support for the primary and tertiary industries, give certain credit concessions, reduce the interest rate and access conditions for loans, and then achieve coordinated development between industries [5].

4.2 Develop science and technology finance and promote scientific and technological progress

Green finance mainly refers to the effective inclusion of recycling, risk, and cost related to environmental quality in financial business in the process of financial investment and financing, and regards it as normal cost. In the context of eco-environmental protection, green finance has become more and more concerned by people, and the neglect of environmental costs in the rapid development of China's economy has led to an increasingly worse environmental quality. This requires active development of green finance and the use of financial macro-control advantages. Effectively protect environmental resources, guide the effective use and development of social resources, and improve China's environmental quality [6]. To this end, the government needs to strengthen financial support for small and medium-sized enterprises (SMEs), design and develop different types of financial products for different types of small and medium-sized technology enterprises, help small and medium-sized enterprises solve their financing difficulties; increase financial support for high-tech industries. To enhance the scientific and technological content of economic development; strengthen the technological transformation and industrial upgrading of the "three high" heavy industry, and improve the energy utilization efficiency and economic efficiency.

4.3 Develop green finance and strengthen ecological environment protection

Encourage banks to carry out green finance and low-carbon finance, give priority to financial credit support to green industries, eco-industries, recycling industries, and some new energy-developing enterprises; highlight the green finance function to suppress the functions of the "three highs" industry and the production process industry. Avoid serious environmental pollution; establish a green financial concept and encourage financial institutions to innovate green financial derivatives and systems.

Figure 3. Green financial development channels and methods

4.4 Develop consumer finance to support demand structure adjustment

Consumption can boost economic growth, but China's investment demand in recent years is significantly lower than the level of consumer demand, and consumer demand is declining. Usually, the domestic demand structure is mainly for external development and export, and internal investment is enhanced, which also leads to insufficient consumer demand for Chinese residents. In order to realize the development of financial consumption, we must realize the consumption-oriented model, coordinate the relationship between the three major needs, play the role of financial orientation, enhance the advantages of consumption in economic development, and achieve the coordinated development of the market. Firstly, give full play to the two-way advantage of consumption and investment, use the support and guidance advantages of credit policy, guide the flow of funds, promote the inflow of science, education, culture and health, and use investment to create new consumption, and then form new economic growth points and promote The development of the investment field will improve the service level of social undertakings. Secondly, with the help of consumer credit tools, appropriately expand the scope of consumer credit, gradually realize the transformation of household consumption, reduce the application conditions and interest rates of urban and rural residents' consumer credit, innovate the consumer industry, and launch diversified and multi-level financial consumption business. And products, which in turn increase residents' consumption enthusiasm, expand domestic demand, and form new consumption growth points. Thirdly, the development of special financial funds to support products and services, support the employment and re-employment of urban residents, strengthen credit support for high-tech industries, enhance the role of finance in the employment of residents, and promote the enhancement of spending power and income of employed residents. Improvement. Fourthly, the use of consumer credit supervision functions and financial instruments capital market, appropriate adjustments to the consumer credit structure of urban and rural residents, enhance residents' consumption and property income, increase domestic demand levels, and drive economic development through consumption.

4.5 Develop stratified finance to promote regional balanced development

China's economy is affected by regional, geographical and historical factors. In the development, regional imbalances have arisen, and the economic gap between regions has been expanding. For example, the economic development level and economic development speed of the western region are obviously behind the central and eastern regions. From the perspective of competition theory, certain gaps can stimulate administrative activities in backward areas and achieve effective flow and rational allocation of resources between regions. However, if regional differences are excessive, regional economic development will be chaotic and unbalanced, affecting the way of national economic development. This requires the development of tiered finance, the use of finance to guide resource flows, stimulate competitive activities, thereby narrowing the regional economic gap and promoting the balanced development of the regional economy. The financial constraint phase is the second stratification phase. The financial differences in the region are relatively large [7]. Each financial institution has its own shortcomings and advantages. This requires full consideration of its comparative advantages, forming a complementary situation and achieving overall cooperation performance. The financial suppression stage is the third stratification stage. The level of financial development in the region is not high, and it is impossible to form an overall cooperation advantage. It is difficult to play a financial role. It is necessary to optimize the financial system in the region and use location advantages to strengthen the developed regions.

4.6 Develop county finance to promote rural economic development

Financial institutions need to establish a multi-level county financial institution system and establish a two-tiered supervision mechanism; strengthen effective supervision of county-level financial institutions from the central and local levels; deepen rural financial reforms and effectively maintain local financial stability.

5. Conclusion

Financial innovation is the self-organization process of the financial system. It is the self-evolution process of the financial system in the process of coordinated development of natural systems, social systems, economic systems and financial systems. The financial system adjusts its own development status according to the changes of the external environment, that is, the development status of other related systems. The development of social systems and economic systems is also affected by the financial system. The relationship between finance, economy and society complements each other, promotes each other and restricts each other. The stable development of each system must be based on the mutual coordination between systems. If financial innovation activities are excessively advanced and lose coordination with economic development and social development, it will cause adverse consequences such as financial crisis. To this end, relevant institutions must thoroughly analyze the relationship between regional economic development and financial innovation, optimize the credit structure, and vigorously develop green finance, consumer finance, technology finance, tiered finance, and county economy. In this way, coordinated development between industries can be ensured, ecological environmental protection and demand structure adjustment can be strengthened, and balanced development of regional economy and rural economy can be realized.

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