

Research on the Impact of China's Financial Development on the High-quality Economic Development

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Abstract

China's economy has entered the stage of High-quality development, and the main task has become to focus on satisfying people's needs for a better life while striving to crack the contradictions and problems of unbalanced and insufficient development. This paper first analyzes the theory of High-quality economic development, focusing on the guiding ideology of High-quality development. Financial development evaluation indicators were constructed. Using a panel model, the impact of financial development on the high quality of urban economy is studied empirically. There is a long-term stable positive relationship between financial openness and High-quality economic development, which also has a facilitating effect in the short term, and its lag effect is more obvious, and the degree of influence of financial openness is expanding.

Keywords

Financial Development; Quality Economic Development; Urban Economy; Spatial Econometric Model.

1. Introduction

Since the forty years of reform and opening up, the continuous growth of China's total economic volume, economic development has made world-renowned achievements, becoming the second largest economy in the world and creating the -China Miracle. According to the data published by the National Bureau of Statistics, the total GDP of China has grown from 367.87 billion yuan in 1978 to 82,712.17 billion yuan in 2017 during the four decades. From historical experience, for a developing country, the speed of economic growth is important, but the quality of economic development becomes more important in the process of promoting economic growth. Promoting High-quality economic development is an inevitable requirement to maintain sustainable and healthy economic development, an inevitable requirement to adapt to the changes in the main contradictions in our society and to build a moderately prosperous society and a modern socialist country, and an inevitable requirement to follow the economic laws of development. Therefore, in the context of the current transformation of the economic development mode to High-quality development, it is the purpose of this paper to further seek a more scientific research method to study the role of financial development on the High-quality growth of urban economy and to explore the mechanism of financial development on the High-quality growth of urban economy.

2. Theoretical Analysis of High Quality Economic Development

2.1. Financial Development and the Connotation of High-quality Economic Development

The financial development of the country mainly refers to the evolution of the financial structure, and a series of indicators to measure the financial structure are further proposed to reveal the inner rules of the financial structure changes, one of the most typical indicators is the financial relevance. The concept of financial development does not refer to the growth of

financial aggregates or the increase of financial quantity alone. Financial development should have different connotations for different countries and different development stages. We should consider the level of financial development of a country or a region from the perspective of financial scale, financial structure and financial efficiency.

High-quality economic development has distinctive Chinese characteristics, and in this context, scholars in China have conducted more research on its connotation from different perspectives since 2017, but there is no unified concept in the academic community. In the literature review of scholars' research on the connotation of High-quality economic development, we found that scholars have not formed a unified definition of it, but the core idea is within the framework of the new development concept of "innovation, coordination, green, openness and sharing". Drawing on the findings of previous scholars, this paper considers that high quality economic development is a people-centered process of economic and social development in a country or region, which is oriented to people's needs and achieves the Pareto optimal state at the level of innovation, coordination, green, open and shared development.

High-quality economic development is the advanced form of economic growth, which is the extended development after the "quantity" of economic growth has reached the mature stage. Therefore, "quantity" is the material basis for "quality", and the study of economic quality development should pay attention to economic growth.

2.2. The Guiding Principle of High-quality Economic Development

Promoting High-quality economic development is the top priority of China's economic work at present, ideological and theoretical guidance is the precursor of High-quality promotion of economic development, Xi Jinping economic thought of socialism with Chinese characteristics in the new era is the banner that guides the High-quality development of China's economy. This should adhere to the centralized and unified leadership of the Party on economic work, adhere to the common construction and shared development, adhere to the new development concept to oversee the overall situation, and strive to promote the construction of our economic undertakings.

A. Adhere to the Centralized and Unified Leadership of the Party on Economic Work

The most essential feature of socialism with Chinese characteristics is the leadership of the Communist Party of China, and President Xi Jinping stressed at the Central Economic Work Conference that "adhering to the centralized and unified leadership of the Party over economic work is the most fundamental economic and political ideological principle of socialism with Chinese characteristics." Standing at the new historical starting point, the whole nation wants to promote High-quality economic development and realize the Chinese dream of a century, the whole party must unify the ideology, enhance the "four consciousness", achieve the "two maintenance", and maintain consistency in thought and action with the Party Central Committee.

B. Adhering to the new development concept as a whole

The new development concept of "innovation, coordination, green, openness and sharing" is not imagined out of thin air, but is based on the lessons learned from past development and the analysis of international and domestic development trends, and condensed for the social contradictions and problems in the process of socialist development in China. Adhere to innovation to lead and provide impetus for development; build a balanced development structure of regions, urban and rural areas and other areas to enhance the integrity of development; raise awareness of environmental protection to achieve synergy between economic development and environmental protection; deepen comprehensive reform and opening up and strive to build a community of human destiny; and promote the all-round development of people to achieve fairness, justice and people's shared development.

C. Adhere to the common construction and shared development

The concept of "people-oriented" has always been the fundamental and principled development idea of the Communist Party of China. The purpose of the Party is to serve the people wholeheartedly, and the line of the Communist Party is the line of the people. To promote High-quality economic development and realize the hundred-year Chinese dream, it is fundamental that development is for the people, development relies on the people, and the fruits of development are shared by the people. The process of High-quality economic development should be the people's common construction of the idea throughout.

3. Measurement and Analysis of the Level of Quality Development of China's Finance and Economy

3.1. Construction of the Evaluation Index System of China's Financial Development Level

Taking into full consideration the fundamental goal of financial services to serve the real economy and the general public, focusing on the importance of financial services and risk prevention, and combining the theory and connotation of financial development, the financial development evaluation system is constructed from four aspects: scale, accessibility, usage and quality, and the indicators are constructed based on the following.

(1)Scale. The most basic measure of a region's financial development level is the scale of development, this paper measures the scale of financial development in each region through two indicators: the added value of financial industry per capita and the total assets of financial institutions' business network per 10,000 people, the added value of financial industry per capita reflects the overall level of financial industry development in each region, and the total assets of financial institutions' business network per 10,000 people reflects the scale of financial institutions in each region.

(2)Accessibility. Financial supply is one of the most basic elements of financial development, and the supply of financial elements will ultimately be realized by financial products, which are designed by financial institutions, so two indicators, the number of employees per 10,000 financial institutions' business outlets and the number of financial institutions' business outlets per 10,000 people, are used to measure the accessibility of financial services.

(3)Use. Financial demand is one of the most basic elements of financial development. When people have financial demand, they will inevitably buy and use financial products, and only by using financial products can finance better and more diversified to serve the real economy, serve the High-quality economic development and serve the general public. Four indicators are used to measure this level of use: per capita RMB deposit balance, per capita increase in social financing scale, insurance density and insurance depth. The per capita RMB deposit balance reflects people's use of the banking sector. The incremental social financing scale is the amount of funds received by the real economy from the financial system in a certain period of time, reflecting the extent of financial support to the real economy. Insurance density and insurance depth measure the development of the insurance industry.

(4) Quality. It is very important to guarantee the quality of financial development, prevent and resolve financial risks, guarantee financial security and create a good financial environment. The non-performing loan rate of financial institutions is an important indicator reflecting the credit quality of financial institutions, so the non-performing loan rate is used to measure the quality of financial development.

3.2. China's Economic Quality Development Level Evaluation Index System Structure

Combined with the five development concepts of "innovation, coordination, green, sharing and openness", a comprehensive evaluation index system of economic quality development level is built from five aspects: economic development, ecological environment, social construction, residents' life and innovation drive, and the indexes are constructed based on the following.

(1) Economic development. The most basic economic development of high quality is to have a certain economic scale, economic development has turned to the stage of high quality development, but does not mean that the economy no longer needs to grow, but the economy is growing at a steady rate on the basis of more attention to quality, so that economic development is large and strong, the measurement of economic development should not only be seen from the economic scale, but more importantly, the economic structure and the efficiency of economic development, improve the quality and efficiency of economic development. Therefore, this paper measures the level of economic development from three perspectives: scale, structure and efficiency. The efficiency of economic development contains indicators such as capital productivity and labor productivity. Capital productivity is the ratio of GDP to the investment in fixed assets of the whole society, the larger the ratio, the higher the efficiency of investment, and labor productivity is the ratio of GDP to the number of all employees, which reflects the ability and efficiency of labor to produce value.

(2) Ecological environment. A good ecological environment is the rightful meaning of High-quality development. To speed up the construction of ecological civilization, we should promote the High-quality development of land greening according to local conditions, strengthen pollution control and environmental management, improve the efficiency of resource utilization, solidly promote High-quality development, and continuously meet the growing needs of people for a better ecological environment. Therefore, the ecological environment is reflected from three aspects: high efficiency and energy saving, greening of the country and pollution management.

(3) Social construction. To accelerate the construction of social undertakings, we should start from education, medical care, social security and infrastructure, take the problems as the guide, improve the mechanism, make up the shortcomings, continuously improve the level of sharing the fruits of development, enhance people's sense of access, and make people's life more convenient and happier. Therefore, four aspects of education, medical care, social security and infrastructure construction are used to reflect the level of social construction.

(4) Residents' life. The goal of High-quality economic development is to improve the level and quality of people's lives and meet their needs in the pursuit of a happy life. The income and consumption levels of residents fundamentally reflect the level of living standards, and what determines the standard of living of residents, in addition to considering the income and consumption levels of all residents, pays more attention to whether the gap between urban and rural residents is narrowing. Therefore, the residents' living standard is reflected from three aspects: income, consumption and urban-rural coordination.

(5) Innovation drive. Innovation development is the first driver of High-quality development, and innovation development not only depends on inputs, but also on outputs, so this paper examines innovation development from two aspects: inputs and outputs. Innovation input includes R&D funding input intensity and R&D personnel input intensity, which reflect the scientific and technological strength and core competitiveness of each region. R&D funding input intensity reflects the efforts of each region in scientific and technological innovation, and R&D personnel input intensity examines the personnel investment in scientific research and experimental development of each region.

4. Analysis of the Impact of China's Financial Development on High-quality Economic Development

4.1. Identification of Panel Models

Using the level of high quality economic development as the explanatory variable, the level of financial development and its squared term as the significant explanatory variables, and introducing the control variables mentioned above as explanatory variables, all variables are smooth series, so that a panel model can be constructed to analyze the impact of financial development on high quality development in China.

Panel models can be divided into fixed-effects models and random-effects models, and the specific model used should be tested first. In this paper, F test and Hausman test are used to determine the appropriate panel model. The specific test results are shown in Table 5. The statistical value of F-test is 53.10, which rejects the original hypothesis that different individuals have the same intercept at 1% significance level, so it is applicable to the individual fixed-effects model. In addition, the statistical value of Hausman test is 19.40, which rejects the original hypothesis at 1% significance level, indicating that the individual fixed-effects model should be established.

Table 1. Panel model test results of financial development on economic quality development

	Statistical values	P-value
F-Inspection	53.10	0.0000
Hausman Inspection	19.40	0.0035

4.2. Analysis of Empirical Results

The results of the regression coefficients of the panel model in Table 2 show that the coefficient of financial development level is significantly positive at 1% significance level, but the coefficient of its squared term is significantly negative, and its explanatory variable is the level of economic quality development, so it can be seen that the relationship between the level of economic quality development and the level of financial development is not generally linear, but there is an inverse U-shaped nonlinear relationship. The critical value of financial development level at the inflection point of the inverted U-shape is 0.8473, which indicates that the financial development level is less than the critical value of 0.8473, and it has a promotion effect on the high quality development, but when the financial development level exceeds the critical value of 0.8473, it may have an adverse effect on the high quality development. However, when the financial development level exceeds the critical value of 0.8473, it may have a negative impact on High-quality development and even have a suppressive effect.

Table 2. Panel model coefficients of the impact of financial development on quality economic development

Variables	Coefficient	P-value
FINA	1.149	0.000
FINA2	-0.678	0.000
CITY	0.524	0.000
GOV	-0.195	0.000
Constant term	0.065	0.081
R2	F=1231.369	P(F)=0.000

At the early stage of financial development level and before it reaches a certain level, it has a great propelling effect on the development of economy and society. On the one hand, finance

can improve the level of investment and financing of society to a certain extent, increase the total amount of factors, help to realize the gathering of capital, support the production and operation activities in economy and society, and promote economic development; on the other hand, finance can improve the efficiency of investment and financing to a certain extent. On the other hand, finance can, to a certain extent, improve the efficiency of investment and financing, maximize and optimize the distribution of capital, and improve the production efficiency of capital to promote economic growth. However, in the process of financial development, if it overrides economic development and the level of financial development exceeds a certain level, there may be some adverse effects and side effects, on the one hand, when the total amount of finance is too large and uncontrolled, it will lead to an imbalance between supply and demand in the economy and society, thus undermining economic development, and on the other hand, excessive financialization will easily lead to the phenomenon of "de-realization". On the other hand, excessive financialization will easily lead to the phenomenon of "deflation", which will seriously hinder the development of the real economy, and such a vicious circle may lead to imbalance in economic structure, bubble economy and even economic crisis.

5. Conclusion

China's economy has shifted from the stage of high-speed growth to the stage of High-quality development, and is in the critical period of transforming the development mode, optimizing the economic structure and changing the growth momentum. Therefore, it is particularly important to conduct research on the quality of economic development. The relationship between the two should be balanced. On the one hand, we should pay attention to the role of financial development in promoting High-quality economic development, and on the other hand, we should actively prevent financial risks, avoid the phenomenon of excessive financialization, prevent the development of economic and social "from real to virtual", and make financial development healthy so as to serve High-quality economic development most efficiently. From the panel regression coefficients of control variables, the coefficient of urbanization rate is positive and statistically significant at 1% significance level, which indicates that the urbanization rate has a certain role in promoting economic quality development, which fully illustrates the necessity of promoting urbanization development in the process of China's economic quality development, so that institutional and policy support should be strengthened in the process of urbanization to better promote each region's High-quality economic development.

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