

# Research on the dilemma and strategies of financial services for the real economy

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## Abstract

Under the background of the international economy that the global economic development is still slowing down, my country's real economy is facing new shocks and financing difficulties, and at the same time, my country's financial industry is also facing new challenges. Under the new situation, it is necessary to clarify the relationship between the development of the real economy and the financial system. Based on the analysis of the operating status of my country's financial enterprise system and the financing difficulties of the real economy, this paper proposes countermeasures for the financial system to serve the real economy, in order to provide better financial services for the development of the real economy and improve the efficiency of financial services.

## Keywords

Finance; real economy; predicament; service.

## 1. Introduction

At present, affected by the complex international political and economic situation, the global economic development is showing a continuous downturn, and my country's real economy and financial fields have suffered a great impact. Under the influence of the world economic environment, the development of my country's real economy is facing the challenges of increasing unstable factors and the rising proportion of funds in the virtual economy, but at present, my country's domestic economy has a good momentum of development. Under the overall economic environment at home and abroad, the financial industry assumes the responsibility of providing financial support for the development of the real economy, and the financial system pays more and more attention to serving the real economy. Li Yang believes that "the fundamental requirement for finance to serve the real economy is to effectively exert the function of finance as a medium for resource allocation in the operation of the market economy, provide better financial services for the real economy, reduce circulation costs, and improve the intermediary efficiency and distribution of finance. Efficiency, helping enterprises to create profits" [1]. Under the new situation, exploring effective ways for finance to better serve the real economy is one of the important issues facing us.

## 2. The current situation and predicament of China's financial system serving the real economy

### 2.1. The current situation of China's financial system serving the real economy

At present, in the process of my country's economic recovery, the real economy has a large demand for funds, especially small and micro enterprises. These enterprises are developing rapidly, the demand for financing is increasing, involving a wide range of industries, and the time limit for capital needs is relatively tight. , the aid of the financial system is extremely important. "The financial system has given great support to private enterprises in inclusive small and micro loans, manufacturing, scientific research and technical services, information

technology services and other real economy loans" [2] . Data from the China Banking and Insurance Regulatory Commission shows that both the amount and quota of credit to the real economy have increased. "In 2020, RMB loans will increase by 19.6 trillion yuan, an increase of 12.8%; new manufacturing loans will be 2.2 trillion yuan, which is the highest of the previous year. 2.6 times the annual increase. Financing of small and micro enterprises continued to improve, and the growth rate of inclusive small and micro loans was 18.1 percentage points higher than that of various loans, of which five large banks increased by 54.8%" [3] . Judging from the interest rate of newly issued loan contracts in the real economy, financing costs have been reduced. Ruan Jianhong, spokesman of the People's Bank of China and director of the Department of Investigation and Statistics, said: "In the first half of the year, the contractual interest rate for new loans issued by small and micro enterprises was 5.18%, 0.3 and 1.06 percentage points lower than the same period last year and the same period in 2019, respectively. The contracted interest rate was 4.13%, 0.25 percentage points lower than the same period of the previous year. In addition, at the end of June, the balance of inclusive small and micro loans was 17.7 trillion yuan, an increase of 31% year-on-year, and 18.7 percentage points higher than the growth rate of various loans over the same period. Inclusive small and micro loans supported 38.3 million small and micro business entities, a year-on-year increase of 29.2%" [4] .

The real economy of financial services has shown a sustained, strong and stable development trend. However, Zhou Xiaochuan believes that "China's financial system is generally healthy, but there are some problems. China's economy is running well as a whole. From the demand side, consumption has grown rapidly, investment has remained stable, and the proportion of current account surplus to GDP is within a reasonable range. From the perspective of supply On the side, positive progress has been made in supply-side structural reform. China's monetary policy will emphasize prudence and neutrality, and will continue to take measures to gradually deleverage . " [5] .

## **2.2. The difficulties faced by China's financial system in serving the real economy**

Although my country's financial institutions have a relatively complete system at this stage, they still cannot meet the urgent needs of high-quality and rapid development of the real economy. There are still aspects that need to be improved and refined in the development of my country's financial system, and there is still a broad space for improvement.

First, there is a lot of private capital, the supply of financial services is insufficient, the proportion of indirect financing is relatively high, the development of the direct financing market is still unbalanced, and the financing stock is still lower than the level of developed countries. Increase the proportion of direct financing, especially equity financing.

Second, in the operation of the financial system, there is a phenomenon of focusing on investing in industries and enterprises with high returns, while private enterprises and small and micro enterprises have always faced the problem of difficult and expensive financing. The financial system has not achieved the goal of comprehensive planning, adequate service guarantee measures, and high-level service to the real economy.

Third, the structure and level of existing financial institutions cannot meet the needs of capital services in the process of high-quality development. Some large banks and other financial institutions still have the problems of conservative operation methods and concepts, too many rules and regulations, insufficient financing innovation, and low financing efficiency ; while the development of small and medium-sized banks is not sufficient, and the indirect financing market has not formed a multi-level and comprehensive system. Differentiated service network, modern financial management methods and operation methods are not fully developed. In

general, there is still some room for improvement in the development of my country's financial system.

### **3. Status Quo and Financing Dilemma of Real Economy Development**

The report of the 19th National Congress of the Communist Party of China pointed out that the real economy is the focus of my country's economic development, which fully reflects the importance of the real economy in the prosperity and development of the national economy. From an industrial perspective, the real economy can be divided into three categories. The first category is the real economy that only includes manufacturing, which is the core and narrowest concept of the real economy; the second category is the general sense, including manufacturing, agriculture, construction, etc.; the third category is the broadest concept of real economy, including all industries except the financial industry and real estate industry, corresponding to the virtual economy. "The real economy refers to economic activities such as the production and circulation of material and spiritual products and services, including agriculture, industry, transportation and communication, commercial services, construction and other material production and service sectors, as well as education, culture, knowledge, information, art, sports and other spiritual products production and service sector" [6].

#### **3.1. Status Quo of Real Economy Development**

Since my country's reform and opening up for more than 40 years, the country has always taken the development of the real economy as a policy orientation. China's real economy has achieved rapid growth. The real economy is the foundation of my country's economic development and an economic form that truly creates wealth. From the perspective of my country's national conditions and the actual development of various industries, the real economy accounts for a large proportion of my country's gross national product. Taking industry as an example, my country's industrial added value surpassed that of the United States in 2010 and became the world's largest industrial country. At this stage, my country is moving towards a manufacturing powerhouse. The role of the real economy in my country's economic prosperity and development, as well as in people's social life, is unmatched by other economic forms.

At this stage, many problems have arisen in the development process of the real economy, and the results need to be improved. There are many constraints on the development of the real economy. First, there are some structural problems that have not been adjusted in time. The extensive economic growth model of China is no longer in line with the requirements of high-quality economic development. Third, rising production costs, shrinking domestic and foreign market demand and corporate financing difficulties have restricted the development of the real economy to a certain extent.

#### **3.2. Financing difficulties faced by the development of the real economy**

The financial coordination of the real economy has always been one of the basic problems facing the Chinese economy. After entering the new normal stage of economic development, the continuous high-quality development of the real economy requires adjustment of the industrial structure, elimination of outdated production capacity, and upgrading of the industrial structure. In this process, the real economy is faced with the problem of insufficient development funds. It is a serious fact that loans to the real economy are Difficulties, high interest rates, and few loan channels still exist. On the one hand, industrial restructuring and corporate restructuring of the real economy require time, cost and financial support. If a problem occurs in any link, it will affect the growth rate and profit level of the real economy, leading to further intensification of structural conflicts. On the other hand, the capacity of my country's capital market is limited, the threshold for enterprises to go public is high, and it is difficult for the real economy to obtain financial support in the indirect financing market

dominated by equity and bonds. Most enterprises can only rely on indirect financing mainly based on bank loans. . However, in recent years, my country's economic growth has slowed down, and the financial status of real enterprises has been poor and cannot meet the loan requirements of banks. This further squeezes the financing space of real enterprises, and as a result, real economic enterprises that cannot obtain loans from banks can only borrow privately. , Internet loans and other high financing cost channels to obtain funds, operating costs further increase, and corporate profits continue to decrease, which is not conducive to the survival and development of real economy enterprises.

#### **4. The symbiotic relationship between finance and the real economy**

For any country, finance is the core of the economy and the lubricant for the operation of the entire social economy. The impact of the financial system on the development of the real economy is obvious. Both the finance and the real economy are a community with a shared future for development. Financial institutions must correctly position themselves and the real economy for long-term coexistence, vigorously support the development of the real economy, and further enhance the market competition of the real economy. power, production and management capabilities, and enhance the overall economic vitality of the society.

##### **4.1. The real economy is the foundation of financial development**

The continuous development of the real economy injects vitality into finance, and finance provides services for the real economy and promotes the development of the real economy. Economic development relies on finance, which in turn contributes to financial development. In an ideal market environment, finance and the real economy should be interdependent, mutually supportive and virtuous. If the real economy can maintain a good state of development for a long time, it can promote the development of the financial market; otherwise, it will hinder the development of the financial industry. Therefore, the foundation of financial market development is the real economy, which plays an important supporting role in the development of the financial market system.

##### **4.2. Finance provides support and guarantee for the development of the real economy**

"The financial system provides important support for the accumulation of funds in the real economy, so that it can minimize the risks caused by insufficient funds in the process of development, and provide a reliable guarantee for the development of the real economy" [7] . However, once finance is separated from the real economy and blindly expands for profit, it will become an obstacle to the development of the real economy, weaken the driving force for the steady growth of the real economy, reduce the growth level of the real economy, and bring instability and huge risks to the sustainable development of the real economy[8].

The effective operation and high-quality development of the financial system is conducive to improving the efficiency of financial services and providing sufficient capital guarantees and high-quality financial services for the real economy. With the recovery and growth of the real economy, the scale of the economy has increased sharply, finance and the real economy have begun to integrate, and finance has increasingly played a role in promoting the development of the real economy and regulating resource allocation. With the reform of the shareholding system and the development of the corporate system, the relationship between finance and entities has become closer. Finance not only provides capital and financing services for the real economy, but also promotes the rapid realization of capital in the real economy by attracting idle funds and investing them in the real economy. accumulation. At the same time, diversified financing tools and financing methods can also effectively reduce transaction costs and diversify risks in the real economy[9].

## 5. Countermeasures for financial services to the development of the real economy

Financial institutions should continue to intensify financial reform and opening up, build and improve modern financial operation mechanisms, and continuously improve the management level of the financial industry, investment and financing capabilities, and risk resistance capabilities, so as to provide higher-quality financial services for the real economy and promote the real economy. Rapid development.

### 5.1. Promote financial supply-side structural reform and policy implementation

#### (1) Deepening the reform of the financial system

Financial institutions provide high-quality services for the development of the real economy, with a focus on breaking the institutional and institutional barriers for the flow of "financial living water" to the real economy. First of all, it is necessary to promote the reform of the financial system in a deeper, stronger and deeper level. While carrying out the structural reform of the financial supply side, it is necessary to keep the bottom line of risks at all times, further improve business capabilities, and improve the supply system of financial products. Secondly, it is necessary to create a good financial environment for the development of the real economy, effectively dredge the path of finance entering the real economy, create and develop a multi-level capital market, and regulate the management, expand direct financing for advanced manufacturing and other industries, and provide the inclination of credit policy encourages financial institutions to intensify reform efforts. Finally, focus on strengthening the reform of small and medium-sized banks. Small and medium-sized banks are the main force supporting small and medium-sized enterprises. The reform of small and medium-sized banks should find the weak links in their own development, make up for the shortcomings as soon as possible, and build basic projects for small and medium-sized enterprises[10].

#### (2) Strengthen the formulation and implementation of financial policies

In the future, in order to further strengthen credit support for the real economy, the government should increase financial support for entities. To this end, my country should formulate a more flexible and appropriate monetary policy, give full play to the positive influence of monetary policy, and try to favor small and medium-sized enterprises, small and micro enterprises as much as possible, and strive to reduce their financing costs. On the one hand, my country's financial industry should actively demonstrate and formulate and introduce financial policies for small, medium and micro enterprises according to the current capital needs of the development of the real economy, such as reducing loan interest, extending the repayment period, expanding the expansion of small and medium enterprises, foreign trade and related businesses. The scale of credit issuance of agricultural enterprises and other fields and industrial enterprises will gradually reduce the financing cost of enterprises and the cost of bank liabilities, and improve the enthusiasm of financial institutions such as banks to serve the real economy. Create a relaxed financing environment for the sustained high-level development of the real economy and the overall economy.

### 5.2. Strengthen financial innovation

Traditional financial services will be unable to solve some problems, so it is very necessary to actively carry out financial innovation. In response to the problems existing in the current development of the financial market, financial institutions should carry out financial innovation and financial supply-side reform, and build and improve a financial support innovation system. Financial innovation can be divided into business innovation and technological innovation. Business innovation focuses on the development of financial markets, the development of

financial products, the change of financial transaction methods and financial service methods, and the continuous improvement and improvement of financial operation and management models and financial management mechanisms. Financial monitoring mechanism, etc.; technological innovation includes innovative financial business scope and means, and further builds an electronic financial operation system in terms of financial equipment and machinery, and improves financial service capabilities and service levels through innovative financing methods.

### 5.3. The multi-dimensional turn of financial services

First, in terms of financial services for the real economy, we should not only pay attention to large state-owned enterprises, but also focus on helping the development of private, small, medium and micro enterprises. The second is to provide convenient transaction methods, effective risk management methods and accurate capital cost accounting; the third is to not only serve urban economic entities, but also expand rural financial services, and continuously expand rural financial services in the process of promoting the development of rural real economy. The fourth is to adapt to the pace of the development of the modern real economy, and constantly improve and improve financial financing methods; the fifth is to undertake payment and settlement, information consultation and financial risks in addition to acting as a financing intermediary Evaluation and other services, and continuous improvement according to the development needs of the real economy.

### 5.4. Further opening of the financial market

In the face of the uncertain external environment and the pressure of the anti-globalization trend, the Chinese government is still firmly fulfilling its commitment to opening up the financial industry, gradually removing restrictions on foreign financial institutions entering the Chinese market, and further launching a number of policies to support opening up. Therefore, in the future, financial opening is the general trend. The financial market needs to persist in further opening up, recognize the essence of the financial system, build and improve a multi-level capital market based on the actual development of China's financial system, and explore effective ways for China's financial system to serve the real economy; financial institutions must continuously improve competition awareness and Business capabilities, build and improve a system of financial institutions with wide coverage, multiple layers, differentiation, high quality and high efficiency, better cope with the entry and competition of foreign financial institutions, and at the same time conform to the development trend of the real economy, provide advanced services financial services, and better promote the industrial transfer and industrial upgrading of the real economy.

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