

2015-2019 Study on the Effect of Fixed Asset Investment in National Central

Xinxin Shi

Northwest University of Political Science and Law, Xi'an 710063, China.

Abstract : The implementation of relevant economic reform policies and high domestic and foreign investments have directly driven the rapid growth of China's economy. The high economic growth is due to the formation of investment in fixed assets, so the investment in fixed assets plays an important role in the process of China's rapid economic development, with the pull of economic growth, promote social development, improve people's living standards and coordinate the development of regional imbalances and other issues. However, with the continuous investment in fixed assets in the national center cities also brings new problems: a large gap in industrial development and a shift in economic focus. Therefore, China put forward in the 19th National Congress: the development of our economy should be changed from high-speed development to high-quality development, which puts forward new requirements on the structure of fixed asset investment ratio and direction. Based on this background, this paper analyzes the effects of fixed asset investment in national central cities during the 13th Five-Year Plan period through GDP, fiscal revenue, national income and other related indicators using the comparative analysis method, so as to put forward relevant recommendations with application significance.

Keywords: Fixed Assets; Investment Effect; National Central City

Introduction

In order to further delve into the preparation of the analysis of fixed asset investment effects in China's central cities, this paper will focus on three indicators: preliminary analysis of fixed asset investment and GDP, fiscal revenue and national income share coefficient for each city.

The share of fixed asset investment in GDP, which indirectly reflects the quality and sustainability of a city's economic growth. If the reliance on fixed asset investment is higher, the more the city relies on government-led overtones and the weaker the performance of market players such as industries or enterprises. The lower the share of fixed asset investment in GDP, the better the sustainability of the city's economic development will be.

1. The comprehensive comparison of three specific indicators between central cities

1.1 Analysis of fixed assets to GDP ratio

The ratio between fixed assets and GDP reflects the proportional relationship. According to the relevant basic data, the investment effects of major central cities from 2015 to 2019 are calculated as shown in the table above, It can be seen that: The mean value for all central cities is 0.60. The coefficients are smaller in Beijing, Shanghai and Guangzhou, the smallest of which is Shanghai with a mean coefficient at 0.22. The coefficients are larger in Tianjin, Chongqing and Zhengzhou, the largest of which is the average value of Tianjin is as high as 0.95.,the rest of the central city coefficients are at a medium level. Using these numerical coefficients we can conclude that: the best economic effect of fixed asset investment on GDP and a very high efficiency rate in the North.,while Tianjin, Chongqing and Zhengzhou have larger benefit losses, then the reason behind their higher coefficients is the result of multiple factors, including economic structure, policy, technology and other related, need to further analyze the deeper reasons. However, the status of this indicator data itself indicates that the importance of the investment effect in Tianjin, Chongqing and Zhengzhou needs to be further strengthened.

1.2 Analysis of the ratio of fixed assets to fiscal revenue

Through the analysis of the above data, we can see that the overall effect of fixed assets on fiscal revenue is lower and the coefficient value is higher compared to the effect of GDP, with an overall mean value of 4.57. coefficients are higher in

Chongqing, Zhengzhou and Chengdu, with the highest mean value of 7.79 in Chongqing; the coefficient is lower or the north, the lowest is also the average value of Shanghai is 1.1. In terms of the investment effect of fixed assets on GDP and fiscal revenue, which has a better effect is still the North accounted for the forefront, the highest is Shanghai, which requires a smaller amount of fixed investment to obtain the maximum effect. This is related to Shanghai's location in the core city of the Yangtze River Delta, its own industrial base and development advantages, but also with the national policy of supply-side structural reform, in which the adjustment of industrial structure is the focus of supply-side structural reform and its investment in fixed assets and the optimization of the investment structure is closely related. The reason behind the cities with higher coefficients may be that the impact of fixed asset investment on fiscal revenue is indirectly driven by the regulation of the economy, which does not have a strong pull on GDP also indirectly affects the effect of fiscal revenue, and there will also be a lagging effect.

1.3 Analysis of the ratio of fixed asset investment to national income

According to above data, the average value of the ratio coefficient of fixed asset investment to national income for the whole central city is 0.78. where the effect is still better in the north, the best is the average value of 0.28 in Shanghai, which is lower than the overall average value of 0.5; more than the overall average is Tianjin, Chongqing, Wuhan and Zhengzhou, the biggest difference is that Tianjin is higher than the overall average value of 0.38. Xi'an is below the mean value of 0.05, which shows that the effect of fixed asset investment on national income is still good.

2. Analysis of changes in the effect of fixed asset investment

2.1 Impact of changes in fixed asset investment on GDP of central cities

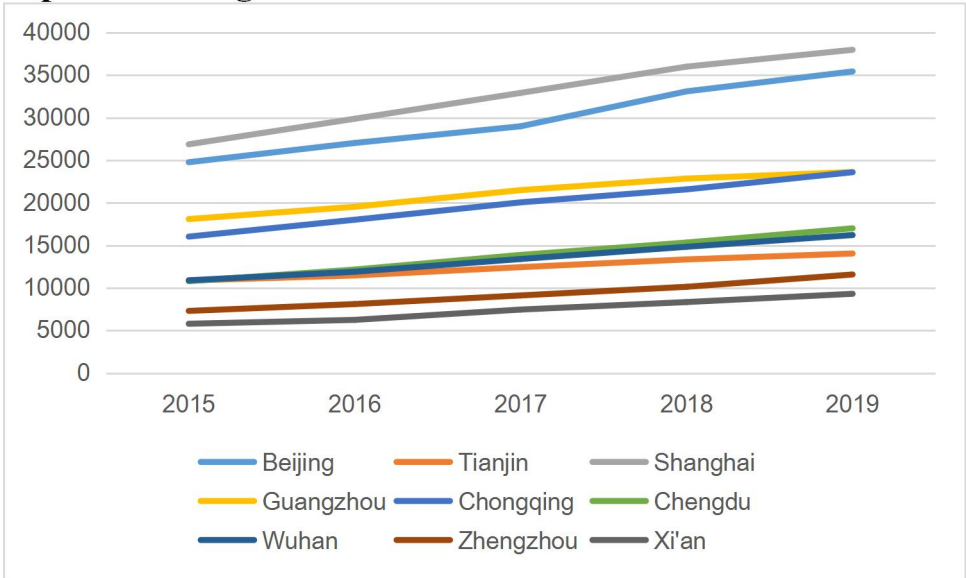


Figure 2-1 GDP Trends in China's Central Cities 2015-2019

From the above graph we can see that during the period 2015-2019, the GDP growth trend of these central cities is very obvious, there is no obvious downward trend, the simple arithmetic average of 17783.68.01 billion yuan, all within the range of {5801.2, 37987.6} billion yuan, where the average of the North and the South are 2987.488 billion yuan, 32739.68 billion yuan and 21127.87 billion yuan.

And based on the analysis in the previous section, fixed asset investment has the largest effect on GDP in North China, while it has little effect on Tianjin, Chongqing and Zhengzhou. It can also be said that North, Shanghai and Guangzhou are lightly dependent on investment in fixed assets, while Tianjin, Chongqing and Zhengzhou are heavily dependent. The reason behind the North, Shanghai and Guangzhou as China's first-tier metropolis of its own economic base is very good, different geographic location and humanities determine the city's different development direction, plus policy, technology, information, etc. are better than other central cities, Shanghai stands out in Beijing and Guangzhou effect is its proximity to the coast, so the overall scale of foreign trade is larger, driving the development of various aspects of the economy is relatively fast some. The reasons for maintaining lower GDP growth in cities like Tianjin, Chongqing and Zhengzhou are mainly caused by the

structural transformation and upgrading of the domestic economy, the gradual weakening of the advantages of the traditional leading industries, and the fact that their new industries are still in the initial stage of development.

2.2 Impact of changes in fixed asset investment on fiscal revenue of central cities

Based on the analysis of fixed asset investment and fiscal taxation in the previous we can find that the overall effect of fiscal taxation is low compared to the effect on GDP and national income. But in this case based on the North, Guangzhou and Shenzhen's own economic infrastructure conditions are better, so the effect is more sensitive, while the impact on Chongqing, Zhengzhou and Chengdu is smaller, especially Chongqing. The reason behind this is that investment in fixed assets has a lagging and indirect effect on fiscal revenue. Fixed asset investment affects the overall growth of fiscal revenue through GDP growth in order to make the effect on overall fiscal revenue smaller. Chongqing, Zhengzhou and Chengdu, on the other hand, are cities that rely heavily on fixed assets, and the steady growth of fiscal revenue is only affected by their over-reliance on the pulling effect of fixed asset investment.

2.3 Impact of changes in fixed asset investment on national income in central cities

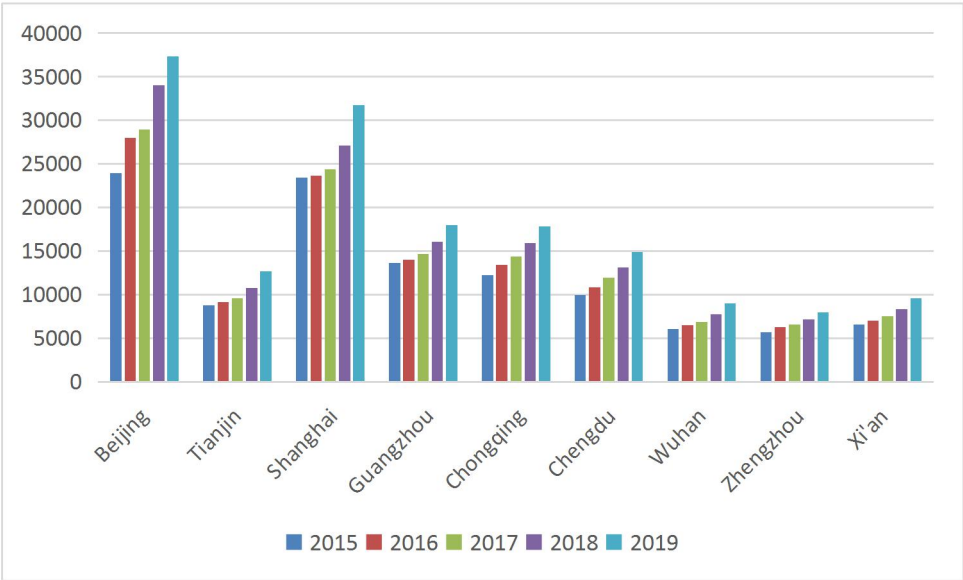


Figure 2-3 Change in Fiscal Revenue by Central Cities 2015-2019

The effect of fixed asset investment is positively correlated with national income, and in general, the better the effect of fixed asset investment, the better the national income. Then its fixed assets investment rate is weakly correlated, but to a certain extent, the fixed assets investment rate reflects the scale and structure of fixed assets, and the effect of fixed assets is curve-related, generally at 85% for the appropriate rate. This reflects the fact that in addition to the cities of North, Shanghai and Guangzhou's own economic base of national income responsive self-contained effect and the steady development of Xi'an, the effect of fixed asset investment on national income in other central cities is not very large, but still shows a straight upward trend. Tianjin effect worst reason in addition to its own by the policy of industrial optimization is also related to its heavy reliance on fixed asset investment.

3. Suggestions for countermeasures

3.1 Maintain an appropriate investment pattern

According to the theorem of diminishing effect throughout, the higher the investment in fixed assets is not the better, but must match the environment, resources, policies and other factors of the corresponding region. North, Shanghai and Guangzhou, these cities rely lightly on fixed asset investment, their own economic base is very good endogenous industries, although not dependent on fixed asset investment to drive economic development, but the effect is still very good; and Xi'an, a medium-dependent city does not rely too much on fixed-asset investment to drive economic development or worse than these first-tier cities in the north, its fixed-asset investment to do small and precise can improve its efficiency. Heavy reliance

on Tianjin, Chongqing and Zhengzhou its investment effect coefficient is very low or even decline, then it confirms the industry is not sound, the lower the efficiency of fixed asset investment to drive the economy, then it should accelerate the promotion of their own industrial cultivation and development.

3.2 To reduce taxes and reduce burdens according to local conditions

In the deleveraging pressure is still very heavy today, if blindly on the less efficient fixed asset investment projects, it is easy to cause further aggravation of the debt problem at the local level. So instead of another massive relaxation of fixed investment, it is better to cut taxes and reduce burdens, promote entrepreneurship, and use the development of industry to drive economic growth, in this case, fixed asset investment will make industry like a tiger. Otherwise, it would be a waste to vigorously build facilities such as roads that do not have cars running on them and buildings that are underutilized.

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