

Research on the Impact of Financial Development on the High-Quality Economic Development of Dongguan

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Abstract: Finance is the blood of economic development. This paper constructs an index system from three perspectives: financial scale, financial efficiency and financial deepening, measures the financial development level of Dongguan, and analyzes its impact on the economic development of Dongguan from direct and indirect perspectives.

Keywords: Financial Development; Index System; Entropy Method

1. Introduction

In recent years, China's financial industry has undergone earth shaking changes. At present, a multi-level, diversified and diversified financial system has been gradually established. For financial development, we should base ourselves on the reality of development and walk out of the road of financial development with Chinese characteristics. To deepen the structural reform of the financial supply side, we must implement the new development concept, strengthen the function of financial services, identify the key points of financial services, and focus on serving the real economy and people's lives. We should focus on the structural adjustment and optimization of the financial system, optimize the financing structure, financial institution system, market system and product system, and provide higher quality and more efficient financial services for the development of the real economy. Therefore, in the new journey of promoting high-quality economic development, it should be noted that financial development should serve the real economy scientifically, not blindly. In the process of development, we should always pay attention to risk prevention and control^[1]. Therefore, this paper takes Dongguan as the research object, establishes an index system to measure the financial development, analyzes the financial development level of Dongguan, and then analyzes the impact of financial development on Dongguan's high-quality economy from the perspective of direct impact and indirect impact, so as to give play to the role of Dongguan's financial industry, promote the coordinated development of Dongguan, and achieve the general goal of Dongguan's high-quality economic development.

2. An empirical study on the impact of financial development on the quality of economic development in Dongguan

2.1 Connotation of financial development

Before the establishment of financial theory, academia generally believed that a good financial system can promote industrial development and regional economic development. However, with the further research on the financial system, scholars found that this role is not unique, and the research on financial development is deepening. Goldsmith (1969) first put forward the concept of financial development. He believes that the substantive significance of financial development and financial structure is consistent, and quantitatively analyzes a country's financial development level by using FIR (Financial correlation ratio) index. However, the basis of quantitative analysis is too single; With the development of financial development theory, McKinnon and Shaw put forward the theory of financial inhibition and financial deepening in 1973^[2],

and believed that developing countries should carry out financial deepening reform. During this research period, McKinnon proposed to use $m2 / GDP$ as a measurement index to measure the degree of regional financial deepening, marking the initial formation of financial development theory. With further research, the connotation of financial development is gradually enriched, and the financial development indicators are gradually comprehensive. Some scholars use entropy method, coefficient of variation method and principal component analysis to comprehensively measure the regional financial development level. Fang Wenquan (2011) used total financial assets / GDP (Financial correlation rate), monetization indicators, banking system indicators and capital market indicators for analysis; Subsequently, Lin Yong and Chen Mingyin (2014), Geng Delin and Zhou Hui (2018), Zhang Shuangcai and Yin Qingwei (2021), Li Rui and Dong Lu (2021) analyzed China's financial development level from three aspects: total financial development, efficiency and structure. The above research on the selection of indicators to evaluate the level of financial development and the establishment of the system provide some ideas and references for this paper.

2.2 Construction of index system

According to the previous analysis of financial development, financial development is generally measured from the perspective of financial scale, efficiency and deepening^[1]. Firstly, financial scale is the level of financial development measured in the total amount, which reflects the expansion of the scale of the financial industry in the process of regional economic development. Therefore, this paper analyzes it from the perspectives of asset scale and employment, The total amount of premium income of domestic and foreign currency deposits of financial institutions. Secondly, efficiency in the economic field reflects the Pareto optimal state. Financial efficiency refers to the efficiency of financial resources such as money and monetary capital, and reflects the impact of capital financing capacity and financial sector on economy and employment. Therefore, this paper selects the total deposits / total loans of financial institutions at the end of the year, the added value of employees in the financial industry / added value of employment, and the added value of the financial industry / added value of GDP as the measurement indicators for analysis. Finally, financial deepening is a deeper requirement for financial scale, which is more manifested in the improvement of quantity. Therefore, this paper selects the financial related ratio (deposit loan ratio, FIR) to reflect the rationality of financial structure. Considering the insurance elements, this paper selects the insurance income / GDP as the index to measure the degree of insurance deepening.

Table 1 Index system of financial development level

	Basic indicators	Unit
Financial scale index	Total domestic and foreign currency deposits of financial institutions	Ten thousand yuan
	Premium income	Ten thousand yuan
	Financial industry employees	person
Financial efficiency index	Total deposits / total loans of financial institutions at the end of the year	%
	Added value of employees in financial industry / added value of employment	%
	Added value of financial industry / GDP ^[3]	%
Financial deepening index	Total deposits and loans of financial institutions / GDP	%
	Insurance income / GDP	%

2.3 Empirical analysis

The contribution of financial development to economic development is multifaceted. On the one hand, the financial industry belongs to the tertiary industry, and its added value has a direct effect on the amount of economic development, which is mainly reflected in its contribution to GDP. Therefore, this paper selects the proportion of the added value of the financial industry in GDP as the analysis index, and compares it with Guangzhou, Shenzhen and Guangdong Province to analyze its direct effect on economic development. On the other hand, the appropriate development of the financial industry has an indirect effect on economic development, which is reflected in its support for the industry. The development of the industry must need the support of finance, and the rationality and efficiency of the financial structure have played a very important positive role in the development of the industry, which can promote the rationalization and upgrading of the regional industrial structure, promote the regional scientific and technological innovation ability, and then promote the high-quality development of the economy. Therefore, Considering the correlation between basic indicators, this paper first makes a dimensional treatment on the basic indicators of financial development level, then selects the objective entropy weighting method for index synthesis, and finally calculates the comprehensive scores of Dongguan financial scale index, financial efficiency index, financial deepening index and financial comprehensive index from 2010 to 2020, and then makes a comparative analysis with the high-quality economic development level index, The high-quality economic development level index adopts the comprehensive index of the paper "Research on the high-quality economic development level of Dongguan City" for comparative analysis.

2.3.1 Analysis of the direct impact of financial development on economic development

In recent years, the added value of Dongguan's financial industry has increased rapidly, but it can be seen from the figure 1 that its contribution to the economy is not strong on the whole. It showed an upward trend from 2010 to 2015, especially in 2015, the growth rate reached the maximum. However, its contribution to the economy has basically remained stable after 2016, and its pulling effect on the economy is small. From the comparative analysis of the contribution rate of the financial industry in Guangzhou and Shenzhen to the economy from 2010 to 2015, it can be seen that the contribution rate of the financial development in Shenzhen to the economic development is the highest, indicating that Shenzhen has given full play to the pulling role of the financial industry, followed by Guangzhou, and Dongguan has the least impact. By comparing Shenzhen, Guangzhou and Dongguan with Guangdong Province, it is found that only the financial industry in Dongguan has a lower pulling effect than that in Guangdong Province. indicating that Dongguan has insufficient pulling effect on the economy, so we should continue to strengthen the development of financial industry, and give play to its role in promoting economic development.

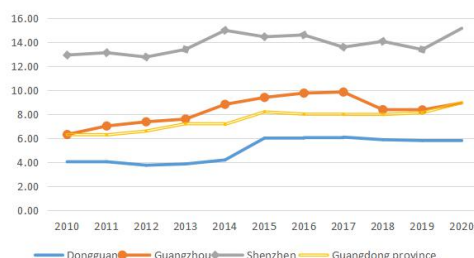


Figure 1 Contribution of financial industry in Dongguan, Guangzhou, Shenzhen and Guangdong Province to economy

2.3.2 Analysis of the indirect impact of financial development on economic development

It can be seen from the figure 2 that the overall growth rate of Dongguan's financial development showed the same trend from 2019 to 2020. However, the overall growth rate of Dongguan's financial development index showed a slight increase, especially from 2018 to 2020. The growth rate of Dongguan's financial development index was not the same as that of 2015-2019, affected by the epidemic and the Sino US trade war, it showed a downward trend. Therefore, we can know from the figure that, first of all, the financial development of Dongguan did not match the high-quality development level of regional economy from 2010 to 2015, which had a small impact on the high-quality development of economy, especially when it was backward and regional economic development, it played a certain negative role in the high-quality development of economy, such as the performance from 2010 to 2012; Secondly, when the level of financial development matches the level of regional economic development, its impact on high-quality economic development is very positive. According to figure 1, after 2015, both financial scale and high-quality economic development showed accelerated growth; Finally, from 2019 to 2020, Dongguan's financial development level further expanded, but its economic quality showed a downward trend, which was mainly due to the impact of the epidemic and trade war, especially the development orientation of Dongguan, and the development of high-tech enterprises such as Huawei, vivo and oppo in the real economy was seriously limited. Therefore, at present, the financial development level of Dongguan has played a certain role in promoting the high-quality economic development. Especially at present, as one of the participating cities of Guangdong, Hong Kong and Macao Dawan District, Dongguan should further develop the financial industry reasonably, so that the regional financial development level can keep up with the needs of the development of the real economy and promote the further development of the economy.

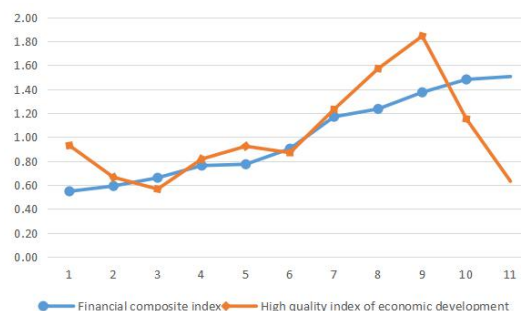


Figure 2 Financial and economic development in Dongguan

3. Summary

According to the connotation of financial development and the related theories of high-quality economic development, and referring to the theory of financial inhibition and financial deepening, this paper establishes a financial development index system, and analyzes the direct and indirect impact of Dongguan's financial development on the high-quality economic development of Dongguan. The analysis shows that the current level of financial development in Dongguan plays a role in promoting the economy, but the current role is not obvious. We should actively look for factors affecting the financial development in Dongguan, promote financial development, improve the efficiency of financial development, rationalize the structure of financial development, and further promote the high-quality economic development.

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