

Research on the Influence of Chinese Capital Market on Technological Innovation

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Abstract: With the continuous development and change of social economy, the influence of the financial field on China's technological innovation is also increasing. In the financial system, especially the capital market system, has become an important institutional arrangement to promote the technological innovation ability of enterprises. This paper focuses on the advantages and disadvantages of China's capital market on technological innovation and the mechanism of the relationship between capital market and technological innovation. This paper analyzes the current situation of the development of China's multi-level capital market. Secondly, based on the existing research results, it makes a theoretical research and Discussion on the relationship between capital market and technological innovation, and further points out the advantages and disadvantages of China's capital market on technological innovation. Some studies have pointed out that the effect of China's capital market in promoting technological innovation is not obvious, and the effectiveness of the capital market is insufficient; However, the technological innovation activities of enterprises have brought positive performance in the capital market to a certain extent. Capital market is a platform for investment and financing. Its development has an important impact on the economic growth of enterprises and even the whole society. At the same time, China's capital market has gradually developed with the continuous promotion of the reform and opening-up policy. It not only promotes the development of China's economy and enterprises, but also leads the reform of the financial system, and has an increasing impact on China's economy and society.

Keywords: Capital Market; Technological Innovation Venture Capital; Reform and Opening Policy; Financial System; Investment Financing

1. China's capital market

1.1 The structure of China's capital market

The Main Board Market, refers to the securities market, is the main place where securities are issued, listed and traded. It has high requirements on the operating term of the issuer, the size of the share capital and the level of profitability. Most of these listed companies are large enterprises with large capital scale and stable profitability.

A securities exchange market designed to provide financing channels and growth space for entrepreneurial enterprises that are temporarily unable to get listed on the main market (including the main board and small and medium-sized board). Gem is an important supplement to the main board market and occupies an important position in the capital market.

As there are few varieties of stocks listed on the "three board", and most of them are of low quality, it is very difficult to transfer to the main board listing, so it is difficult to attract investors, and it has been neglected for many years.

The regional equity trading market (referred to as the "New Fourth Board") is a private market that provides equity and bond transfer and financing services for enterprises in a specific region. The New Fourth Board market can facilitate equity trading and financing of micro, small and medium-sized enterprises, and encourage scientific and technological innovation and private capital.

1.2 Our country has a typical capital market

The national debt market here refers to the issuance and trading market of Treasury bonds with a maturity of more than one year and guaranteed by the credit of the state, state key construction bonds, fiscal bonds, capital construction bonds, Treasury bonds, and special Treasury bonds.

The National Small and Medium-sized Enterprise Share Transfer System is a national securities trading venue established with the approval of The State Council. The National Small and Medium-sized Enterprise Share Transfer System limited liability Company is its operation and management organization.

2. The impact of capital market on enterprise innovation

2.1 The capital market has a high fault-tolerance rate and is a fertile ground for enterprise innovation

If financial capital wants to support enterprise innovation, how much risk will it take? In the capital market, in order to support the innovation and development of enterprises, it has been divided into several links. The first is something you're familiar with called angel investment. Angel investment focuses on the very early stage. We have a lot of experts in technological innovation. And this technology is likely to get a significant boost in some industries, in which fields and in which business models. The proposal might persuade an angel investor to invest, and then divide the percentage of the equity it and the technologist might hold. The second stage is currently in the domestic, in the world are more financial model called VC. In the VC and PE stage, they focus on the middle and late stage of the enterprise. The enterprise has mature products, or relatively mature business model. We have some very good enterprises made in China. Under the original model of "made in China" and "global consumption", they have developed very well. However, the great changes unseen in a century have come, and the environment has changed. You need to have strong R&D investment and innovation, which is highly uncertain.

2.2 China's capital market has made an important contribution to scientific and technological innovation

China's capital market has made many important contributions to scientific and technological innovation. In June 2013, the new Fund Law was revised and implemented, and private funds came into the statistical field of view. From 2013 to 2020, in a short period of six or seven years, private funds have achieved great development, mainly private equity funds. From the current development situation, private equity funds invest in domestic unlisted and unlisted enterprise equity. By the end of 2020, the number of equity and refinancing cases of the New Third Board has reached 139,200 (unweighted), forming equity capital for the real economy of 8.40 trillion yuan, and its development speed may be faster in the future. For the new economy, new direction, private funds to provide great support.

In the field of scientific and technological innovation, the enterprise with relatively large investment in research and development at the early stage, if it can get more financial support before going public, the more it will spend on research and development, and the higher the intensity of research and development. From the perspective of the first financing point of these companies, the longer the company has been supported by private equity funds before going public, the higher the R&D intensity will be. There are some funds in the world that prefer risk. What these funds consider is its risk pricing. Innovation is exactly a very important part of risk pricing for venture capital. These funds like these enterprises and are willing to take more funds for R&D and investment to obtain definite research results. In the future listing process, the greater the R&D investment, the corresponding policy support and listing preference will be obtained in China, which further stimulates the capital market's preference for innovative enterprises.

3. The capital market helps scientific innovation

Scientific and technological innovation cannot be separated from the support of capital, and the capital market plays a pivotal role in promoting high-level circulation of science and technology, capital and the real economy. In recent years, with the improvement of the multi-tiered market system, the capital market has played an increasingly prominent role in serving scientific and technological innovation.

3.1 We will strengthen the interconnectivity of multi-tiered markets and improve the full life cycle of services

At present, China's capital market has established a multi-tiered capital market system to provide full-life-cycle financing services for innovative enterprises in science and technology through private equity funds, regional equity markets, the New Third Board, the growth Enterprise Market and the Science and Technology Innovation Board. Market participants believe that to further improve the multi-level market system conducive to scientific and technological innovation, private equity funds and regional equity markets can give full play to the financing support of early-stage scientific and technological innovation enterprises, and enhance the connectivity among various sectors, to enhance the financing and development services for the full life cycle of scientific and technological innovation enterprises.

3.2 Improve the equity incentive mechanism to mobilize the internal driving force for innovation and development

Equity incentive is an important means to bind employees' interests to the interests of the company. At present, the proportion of equity incentive in domestic listed companies is not too high. For the high-tech industry, it is often more necessary to use equity incentive to mobilize the enthusiasm of scientific researchers. Equity incentive is more attractive than simple salary. After the implementation of long-term equity incentive, high-tech talents will be more closely related to the interests of the company and more conducive to the development of the enterprise.

4. The pros and cons of venture capital

The scale of venture capital is closely related to monetary policy. Monetary easing means that there is a large amount of excess low-cost capital willing to take greater investment risks. If it happens to meet the innovation period of new technology and new model, there will be an explosive reaction and industrial revolution.

The incentive for innovators is not wealth, but innovation itself. If too much emphasis is placed on wealth incentives, it will reinforce the speculative culture of the market and lead to short-term behavior, which is not conducive to technological innovation. We need to learn the lessons of the Nasdaq bust. In particular, bubbles in the capital market ultimately do great harm to innovation and industrial development. Capital markets should not be separated from the reality of enterprises and industries and play by themselves. Although moderate bubbles are inevitable and have incentive effect, irrational market culture is bound to cause great harm.

5. Conclusion

For a long time, China has not lacked capital, but rather the incentive to invest in technology, with venture capital mainly aimed at commercial innovative companies. China's policy environment, market environment and legal environment should give a stronger boost to technological innovation activities.

References

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