

How to Deal With the Relationship between Financial System and Real Economy?

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Abstract

In recent years, with the development of national economy, the real economy has made steady progress. However, with the further virtualization of financial economy, the relationship between financial economy and real economy becomes more subtle. This paper first analyses the relationship between financial economy and real economy, then further analyses the reasons for the separation of the two and interprets the changing trend of financial support entities in recent years. Finally, the article concludes with financial system and real economy. Some suggestions are put forward for the benign interaction between the two economies.

Keywords

Financial system; real economy; separate; separate; benign interaction.

1. INTRODUCTION

The relationship between financial system and real economy is the core issue of basic financial theory and the primary issue of financial research. Under the background of financial increasingly "getting rid of reality and going to the empty", it is very important to understand the position of the financial system relative to the real economy, to insist on the unshakable real economy of financial services and to grasp the correct track of financial development not deviating from the real economy of services. Starting from the origin and destination of finance, this paper reveals that finance depends on the real economy, serves the real economy and can not deviate excessively from the essential characteristics of the real economy. We should be able to deal with the relationship between finance and real economy scientifically, so that the relationship between the two is closer and more advantageous. At present, there are still some problems in the relationship between China's financial system and the real economy, which leads to a series of problems in the development of the financial system and the real economy. Therefore, it is necessary for us to analyze the relationship between the real economy and the financial system. Through a series of analysis of the relationship between the financial system and the real economy, we can understand both of them, and we can better formulate a series of policies that can coordinate the financial system and the real economy so as to make our economy better.

2. THE RELATIONSHIP BETWEEN FINANCIAL SYSTEM AND REAL ECONOMY

2.1. Real Economy Is the Foundation of Financial System Construction

The real economy exists as the foundation of the financial system. After the real economy develops to a certain extent, the financial system is put forward and developed. Similarly, some theories put forward in the process of the development of the financial system can also be applied to the real economy. It can be said that the construction of the financial system and the

development of the financial system can also be applied to the real economy. Development cannot be separated from the real economy. In the process of building the financial system, the real economy not only provides the economic basis, but also provides the material basis. If there is no real economy in the development process of the financial system, capital changes will occur in the financial system, which may lead to a large number of capital entry in the investment market, which will easily lead to the inability to allocate resources well, and market imbalance will also occur. In the long run, the financial system will be threatened and even paralyse the entire financial system. Therefore, the real economy exists as the foundation of the financial system. Financial system can not develop independently without real economy.

2.2. The Construction of Financial System Can Promote the Development of Real Economy

The financial system can act as the payment intermediary of the real economy. Through the payment intermediary of the financial system, the real economy can better complete the accumulation of its original capital. When the original capital of the real economy accumulates to a certain extent, the scope of the real economy itself can be expanded to a certain extent. In addition, because of the increase in production. Additionally, the risks can be effectively reduced, so that the real economy can grow steadily, and make the real economy - 3 - economy more perfect. The development of real economy often needs a lot of funds as support, and the financial industry is the link and driving force of economic development and growth. It can bring more funds to the real economy as support, and can better meet the financial needs of real economic development [1].

Therefore, based on the circular relationship between the financial system and the real economy, the reform and innovation of the financial industry are inseparable from the transformation and upgrading of the real economy. Ignoring the real economy will aggravate the development of the bubble economy and affect the stability of the national economy. Neglecting financial innovation will affect the speed and quality of the transformation and upgrading of the real economy. The transformation and upgrading of real economy can not be separated from the support of financial industry. Financial reform and innovation need to be based on the transformation and upgrading of real economy. The two coordinated development jointly promotes the steady development of economy [2].

3. CAUSES FOR THE SEPARATION OF FINANCIAL ECONOMY AND REAL ECONOMY

In recent years, the separation between finance and real economy has become more and more obvious, mainly in the aspects of financial asset ratio, transaction volume ratio and asset coefficient. Because of the rapid rise of these indexes, the role of Finance and real economy has been reversed. Finance has gradually got rid of its traditional auxiliary position and formed a relatively independent position. Rule of operation. Among them, the ratio of financial assets is the ratio between financial assets and real assets. Because of the imbalance of financial and real economic development, in many developed countries, financial assets exceed real assets. Financial transaction ratio is the ratio of financial transaction volume to physical transaction volume. With the rapid development of financial business and the rapid growth of financial transaction volume, the ratio also shows rapid growth. The financial asset coefficient is the ratio of the stock of financial assets to the national income, which has also increased rapidly in recent years. In response to this phenomenon, relevant researchers put forward the "separation hypothesis" to study the trend of financial disengagement from the real economy.[3]

The reason for the separation between financial economy and real economy is that the scale, quantity and status of financial economy far exceed that of real economy. With the widening gap between financial economy and real economy, the development of world economy will be more

difficult. Therefore, it is of great practical significance to analyze the causes leading to the separation of global financial economy and real economy. Generally speaking, the reasons for the separation include the following points:

1. The rapid increase of financial assets from the time point of view, the real economy existed before the emergence of the financial economy, therefore, the real economy has been promoting the development of the financial economy. In other words, only when the real economy develops to a certain extent can the financial economy develop gradually. The same is true of commercial trade. Only when the number of products increases will commodity transactions occur. In the course of this transaction, the real economy develops more slowly than the financial economy, and the financial asset ratio is also rising slowly. Therefore, this is not only a rare opportunity for economic development, but also a severe challenge.

2. One of the important reasons for the separation of financial economy from real economy is that the relevant financial system is gradually showing the trend of liberalization. The specific manifestations of the liberalization of financial regulation are as follows: Firstly, most countries have lifted the restrictions on financial economy successively, resulting in more and more frequent international exchange of funds. In addition, with the influx of financial capital, the number of domestic and international trade is increasing. With the increase of international trade and the attraction of a large number of foreign funds, the financial economy has developed rapidly. Secondly, China's financial regulation is becoming more and more relaxed, which makes the domestic financial sector expand rapidly. Many financial enterprises fight for market share. Many financial enterprises sell preferential products to attract consumers' attention. Therefore, the volume of financial trade has been greatly improved. Thirdly, the relevant requirements on exchange rate have been lifted successively. Rate of exchange rate is no longer unchanged, but can fluctuate up and down in a certain range, which also promotes the increasing number of commodity transactions.

3. Rapid Development of Science and Technology

With the increasing of social productivity, financial economy has developed rapidly. In a relatively short period of time, it gradually gets rid of the dependence on the real economy, thus separating the financial economy from the real economy. In addition, due to the continuous development and innovation of science and technology, the economic development has also been affected by scientific and technological innovation. The type of financial economy based on this is increasing day by day, which promotes the continuous expansion of the field of financial economy, the vigorous development of financial economy and the substantial increase of the ratio of financial assets, leading to financial economy. Ji's dominant position is gradually highlighted [4].

At the same time, the inadequate development of financial market and inadequate competition are caused by the malpractice of access criteria and management of financial market; the unbalanced development of financial market and the unreasonable financing structure restrict the path expansion and capacity improvement of the real economy of financial services; the matching of financial policies and the accuracy of financial instruments. It still restricts the effectiveness of the real economy of financial services. These are structural reasons for the mismatch between finance and real economy [5].

4. TRENDS IN THE ECONOMIC EFFICIENCY OF FINANCIAL SUPPORT ENTITIES

In recent years, the efficiency of China's financial expansion to promote real economic growth is declining, mainly reflected in: First, the economic growth rate deviates from the financial growth rate. At the end of 2016, the asset growth rate of China's banking financial institutions was 15.8%, rising for three consecutive years; the growth rate of loan balance was 13.5%, which

remained at about 14% for five consecutive years; and the growth rate of M2 balance was 11.3%, which remained at about 12% for three consecutive years. It can be said that the monetary and financial environment is generally stable. However, China's GDP growth rate has been declining for six consecutive years, and has been below 8% for five consecutive years and 7% for two consecutive years. The trend change of economic growth deviates from the financial operation, especially when the growth of money and credit is generally stable, the economic growth rate continues to decline, reflecting that the driving effect of financial expansion on economic expansion continues to weaken. Secondly, financial increment far exceeds economic increment. In 2016, the increment of social financing scale in China reached 17.8 trillion yuan, of which 12.4 trillion yuan was added to RMB loans, while 5.5 trillion yuan was added to GDP. From 2011 to 2016, the corresponding output of social financing increased by 1 yuan fell from 0.59 yuan to 0.31 yuan, and the corresponding output of loans increased by 1 yuan fell from 1.02 yuan to 0.31 yuan. At \$44, the corresponding output of each additional \$1 banking asset dropped from \$0.4 to \$0.17, and the marginal driving effect of Finance on economic growth continued to decline.

There are also some contradictions and problems in the process of financial support to the real economy. Because the leverage ratio of Finance and real economy is on the high side, the channel of capital flowing to real economy through financial means is not smooth enough, the efficiency of capital use is decreasing, and the problem of increasing leverage by financial self-circulation is still serious, which does not really serve the real economy; the profit of broad-sense financial service industry is outstanding and objective. In the long run, it will affect the smooth operation of the whole market and even cause serious social problems because of the breakdown of speculative capital chains, such as illegal fund-raising. Rationality penetrates into the broad financial services industry; the scale of financial market and money supply expands rapidly, but the problem of financing difficulty and high cost of SMEs is still prominent. The mismatch of resources makes many truly efficient enterprises with financing needs not get the support they deserve, which seriously restricts the sustainable development of the real economy and the whole society. The efficiency of resource allocation [6].

5. WAYS TO REALIZE BENIGN INTERACTION BETWEEN FINANCIAL ECONOMY AND REAL ECONOMY

5.1. Optimizing the Financial Ecological Environment

Optimizing the financial ecological environment can be carried out from three aspects. Firstly, the government should strengthen the management of the financial market, fully mobilize the attention of people from all walks of life to the financial market, and gradually improve the current problems in the financial market. At the same time, the government should also give strong support to financial institutions, get rid of the limitations of traditional problems in financial markets, and promote the sustainable development of financial markets. Especially, it should strengthen the financial support policies of small and medium-sized enterprises to ensure that small and medium-sized financial enterprises have the ability to face market risks. Secondly, improve the credit environment of the financial market. Establish targeted loan measures and integrity business to ensure the sound development of the financial industry. Finally, we should continue to implement a sound and neutral monetary policy, forcing deleverage and restraining the trend from weakness to reality. Integrating the concept of scientific outlook on development into the financial market to ensure that the financial market can maintain a healthy and sustainable development concept.

5.2. Widening the Construction of Financing Channels

Establish a banking and securities mechanism between government departments and financial economy to ensure that economic management departments can grasp the development status of financial markets in a timely manner, adjust the existing problems in financial markets in a timely manner, and ensure the sustainable development of the market. Experts' opinions can improve the quality of financial

5.3. Strengthen Financial Market Supervision

The supervision of financial market needs to be carried out in three aspects. Firstly, we should pay more attention to financial supervision and establish a sense of prevention against possible financial and economic risks, such as restraining real estate investment and speculative demand, and establishing a long-term mechanism of real estate regulation. Strengthen the supervision in the financial market, pay close attention to the flow of funds in financial institutions, find out the possible risk problems, and give full play to the regulatory role of financial regulatory authorities. Secondly, we should improve the current financial system and establish corresponding rules and regulations. Regulate the current financial market through rules and regulations, ensure the orderliness of the financial market, restrict the behavior that may produce financial risks, and ensure the development of financial economy. Finally, before the financial regulatory bodies, they should actively communicate with financial institutions and establish good channels of communication, so as to ensure the efficiency and quality of supervision work.

5.4. Promoting the Development of Financial System by Promoting the Effectiveness of Real Economy

In the process of current economic development in China, the real economy should be able to put its own position in the right place, and the existing transactions should be transformed to the direction suitable for its own development. For the future development, the real economy should be able to position itself in the transaction process, and orientate the future development through the needs of the market. The continuous development of the real economy can help the construction and development of the financial system. Similarly, the improvement of the financial system also promotes the development of the real economy. Therefore, it is necessary to combine the financial system and the real economy to promote social development through the interaction of the two. It can be said that the financial system and the real economy are in fact one, and they are closely linked. We can give examples: With the continuous development of China's current real economy, the original capital is constantly created. Once there are more and more original capital in the financial system, the scale of the financial system will be expanded by a large number of original capital. In this way, the real economy will enter the market, and more capital needs will be derived. The financial system will continue to develop through the guidance of the demand for these capital. In order to integrate the real economy into the financial system better, we need to reform the real economy. Only by carrying out the reform fundamentally can the development of the two complement each other and promote each other [7].

5.5. Continuously Promote the Liberalization of the Financial System

The liberalization of the financial system plays a direct role in the development of the real economy for the following reasons: (1) The liberalization of the financial system can make interest rates rise, which will lead to the increase of savings interest rates, more capital will enter the savings, and a large number of capital will make savings rules. The model has been further expanded; (2) the liberalization of the financial system can directly change the way of financing, and savings are also developing towards simplification, so that enterprises can

finance more conveniently and directly; (3) the liberalization of the financial system development model makes the intervention and influence from the government greatly reduced. The role of market regulation is greatly increased, and capital allocation is bound to develop in a more rational and equitable direction; (4) the liberalization of the financial system has greatly enhanced the dependence on the management and supervision of financial markets, so that the supervision and management capabilities in financial markets will be further enhanced. Higher; (5) the liberalization of the financial system will make the structure of the financial market regulated to a certain extent, and will further enrich the financial system. In short, the liberalization of the financial system can promote the more stable development of the real economy [8].

6. CONCLUSION

The financial system and the real economy are inseparable. In the financial system, the real economy belongs to the basic part. The financial system can not develop separately from the real economy. Similarly, the development of the real economy can not be without the promotion of the financial system. If the development of the financial system breaks away from the support of the real economy, it will inevitably lead to a series of financial crises, and if the financial crisis is very serious, it will threaten the development and existence of the entire financial system. In this paper, the relationship between financial system and real economy is analyzed, and the reasons for the current separation are analyzed. The trend of financial support entities is studied. Finally, the method of benign interaction between financial system and real economy is put forward. Therefore, to correctly deal with the relationship between the two and make appropriate policies will make them produce greater benefits.

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