



The Influence of Financial Integration on Chinese Economy: A Case Study of Yangtze River Delta Economic Zone

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Abstract. This paper is based on the fact that the integrated development of the Yangtze River Delta is in an accelerated process, and the financial integration is an indispensable part of the integration project of the Yangtze River Delta. The financial industry does not create value, but can only add value to it on the basis of the industry. Therefore, this paper analyzes the development of financial industry after financial integration through the development rate of regional industry and financial industry. To provide help for the later domestic financial integration.

Keywords: Yangtze river delta · Financial integration · Industrial development

1 Introduction

Yangtze River Delta, which is composed of three provinces and one city, is the most cutting-edge Economic Zone in China. With the smallest land area, it has contributed nearly 25% of the country's GDP and plays a decisive strategic role in the country's modernization and opening-up pattern. First, it is the most important link in the financial integration market. However, the industrial clusters in the Yangtze River Delta are not concentrated in distribution, the degree of integration is not high, and the upstream and downstream industries are not well accepted. These problems are also gradually found in the process of building integration. In addition, the turbulence of the international situation has once again made the overall development of China's economy face serious external shocks, and the high-quality development of the real economy has been hindered. Therefore, the development of the real economy needs the strong support of finance to curb the trend of "Disenchantment" of financial funds. From 2019 to 2022, the development of the industry is blocked. From the perspective of the real economy, this paper predicts the development differences before and after the regional financial integration in the Yangtze River Delta.

2 Literature Review

The heavy industry led by Shanghai, the processing and manufacturing industry of consumer goods in Zhejiang as the main body, the high-tech industry in Jiangsu as the

main body, and the regional development advantages of the automobile and construction machinery industry in Anhui are prominent. These real economies have been favorable industries supporting the financial integration. However, according to the analysis of market data, the author believes that although the output value of the real industry in the Yangtze River Delta has repeatedly reached new highs in recent years, it tends to be in a state of fatigue, and the industrial structure and layout will face the possibility of adjustment. The real economy tends to be similar, and the industrial ladder distribution is not obvious. It is mainly manifested in homogeneous competition, which is also an important issue affecting the financial integration in the Yangtze River Delta. [1] In the research on the synergy mechanism of financial innovation to promote industrial innovation and development under the background of regional integration in the Yangtze River Delta, wuyanyan believed that the innovation vitality should not only improve the innovation ability of basic research and applied research, but also need the government to carry out financial service support. [2] Xieshuohong, while and fuchunmei think that Shanghai not only has a large scale financial industry but also has a high degree of financial industry agglomeration in the paper on the impact of financial agglomeration on Urbanization in the Yangtze River Delta urban agglomeration. Hangzhou, Huzhou and other cities in Zhejiang Province also have a high degree of financial agglomeration, while Jiangsu and Anhui provinces have a low level of urban financial agglomeration. [3] Have maziyu, Li Wei and Wang Qi promoted regional economic integration in financial development? In this article, the author believes that financial integration has long-term characteristics and is not achieved overnight. [4] Zhanghaobo, Lu Zheng In the efficiency measurement of financial support for the development of the real economy in the Yangtze River Delta, it is believed that the government should undertake to guide the financial industry to support the real economy, and the local government should strengthen the financial policy. [5] Huangyunfeng In the research on the high-quality development of financial integration in the Yangtze River Delta, it is pointed out that the coordination between regions is very important. [6] Zhaosuyan is here. The research on the development status of financial integration in the Yangtze River Delta pointed out that if you want to complete financial integration, you need government support and financial investment in the initial stage, and government policies do not need to be dominant in the later stage. [7] Songwriting In the view that digitalization promotes financial integration, it is believed that industry digitalization can promote the development of financial integration. [8] Pei Yu and Li Qiuzi, in their research on the measurement of the degree of financial integration in the Yangtze River Delta, believe that the real economy of financial integration in the Yangtze River Delta has been built, but it lacks financial vitality to give it energy.

3 Method

In a narrow sense, financial integration means that the profit seeking nature of capital leads to the flow of capital in the region without institutional barriers, and eventually leads to the convergence of capital prices in the region; Financial integration in a broad sense is the result of market competition. The power of the market enables the financial capital to realize the optimal allocation in the region. This is the definition of financial integration.

The focus of this paper is to consider the cooperative relationship between industrial development and financial integration, because the history of industrial development is an important parts of financial integration (Fig. 1).

From the data in the Table 1, we can see that the economic development of the Yangtze River Delta region relies on the development of secondary and tertiary industries. The proportion of my country’s tertiary industry has increased year by year, and the industrial structure of “two-three-one” has gradually transitioned to “three-two-one”. The tertiary industry in Shanghai is developing at a rate of hundreds of billions of units per year in various regions. The other provinces in the Yangtze River Delta, although also dominated by the tertiary industry, their share of GDP in the tertiary industry is far smaller than that of Shanghai. The tertiary industry in Shanghai will reach 73.3% in 2021, of which the service industry is still the three largest industries. In the Yangtze River Delta region,

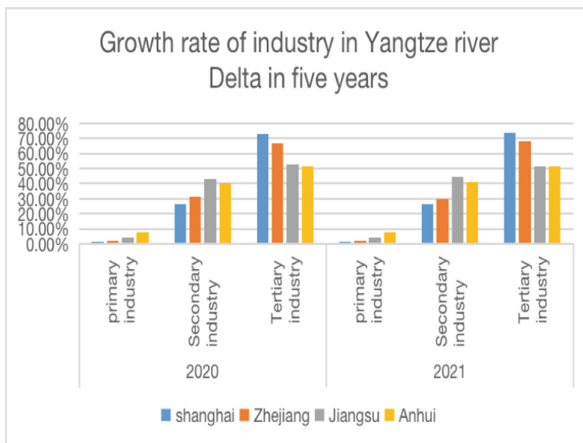


Fig. 1. Growth rate of primary, secondary and tertiary industries in Yangtze River Delta in five years

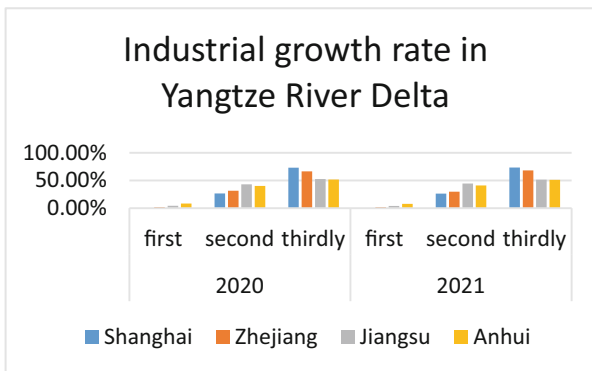


Fig. 2. The proportion of the primary, secondly and tertiary industries in the yangtze river delate from 2020 to 2021

the industrial layout of “321” is relatively standardized. Zhejiang, Jiangsu, Anhui and the other three provinces are also gradually reducing the capacity of the primary and secondary industries and investing funds in the tertiary industry. With the adjustment of the industrial structure in the Yangtze River Delta region, the service of the tertiary industry will become a new engine to promote the economic development of the Yangtze River Delta region. Judging from the development speed of the three industries, the primary industry in the Yangtze River Delta region is developing relatively slowly; the secondary and tertiary industries in Anhui and Jiangsu are developing rapidly. According to statistics from Shanghai, although the primary industry is increasing year by year, the growth rate is the lowest. The tertiary industry in Shanghai is developing at a rate of hundreds of billions of units per year in various regions. The tertiary industry in Shanghai is about 73.3%. At the same time, it is also a relatively standard “three, two, and one” industrial structure. Jiangsu, Zhejiang, Anhui and the other three places are also gradually reducing the production capacity of the primary and secondary industries, to invest in the tertiary industry. Thanks to the gradual deepening of industrial adjustment, the tertiary industry service industry will generate new impetus for the regional economic development of the Yangtze River Delta. The acceleration of the optimization of regional industrial structure also reflects that the Yangtze River Delta, driven by many factors such as resources and environment, mainly takes the service industry as the future industrial core and actively adjusts the industrial core to the tertiary industry (Fig. 2).

In 2020, the total digital economy in the Yangtze River Delta region will reach 10.83 trillion yuan, accounting for about 28% of the total digital economy in China and about 44% of the GDP in the Yangtze River Delta region. It is an irreversible trend that digitalization accelerates the process of financial integration in the Yangtze River Delta. It mainly focuses on high-tech industries, such as new energy vehicles, precision instruments, semiconductors, medical devices, and other high-tech new products. It is mainly based on innovation. Until 2022, the development history of the Yangtze River delta Special Economic Zone is only 16 years. The history of the Silicon Valley Science and technology zone can be traced back to the science and Technology Park of Stanford

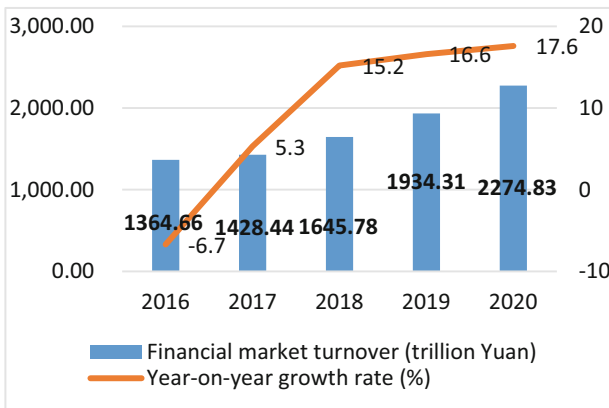


Fig. 3. Shanghai’s economic development in five years

University in 1951. Its industry type, resource type, and its position in the United States are similar to that of the Yangtze River Delta.

The Fig. 3 the growth of Shanghai's financial market from 2016 to 2020. Shanghai's financial development ranks first in the country. With its unique geographical advantages, Shanghai's financial development trend can be regarded as the future financial development trend of the Yangtze River Delta. It can be seen that the financial market has steadily increased in size every year before the epidemic. The absolute value of the average growth rate from 2016 to 2020 is 9.6%, This can not be separated from the highly concentrated density of financial companies and the sustainable development of the primary and secondary industries. The following figure shows the development of the industry in the Yangtze River Delta. It can be seen that the economic growth in

Table 1. Development of industries in Yangtze River Delta

Development of Yangtze River Delta in 2020			
Region	index	Absolute value (100 million yuan)	Year on year growth (%)
Shanghai	Total output value of key industries	23784.22	4.1
	Electronic information product manufacturing	6466.23	5.3
	Automobile manufacturing	6735.07	9.3
	Petrochemical and fine chemical manufacturing	3488.97	0.5
	High quality steel manufacturing	1120.4	-4.2
	Complete equipment manufacturing	4556.95	0.6
	Biomedical manufacturing	1416.61	2.9
	IPO Financing	1251	22.67
Hangzhou	finance	2038	10.6
	Core industries of digital economy	4290	13.3
	IPO Financing	509.1	213.6
Nanjing	High tech service industry	691.82	11.8
	IPO Financing	524.48	109
Hefei	Profits of industrial enterprises	2669.9	13.6
	Information technology service industry	964	10.6

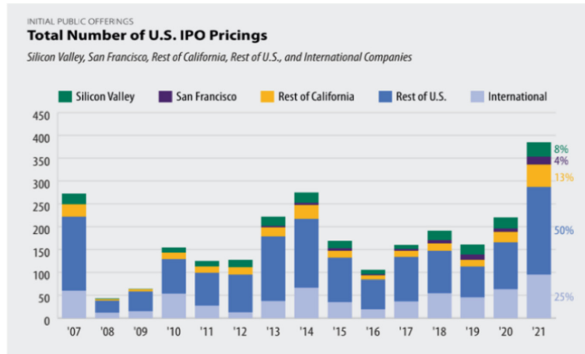


Fig. 4. Silicon Valley financing amount within 14 years

the Yangtze River Delta reduces the low-end manufacturing industry while increasing the upgrading of supporting industries of high-end technology industries such as automobiles and medical treatment. Shanghai’s annual new energy, high-end equipment, new-generation information technology, new materials, new energy vehicles Energy conservation, environmental protection, digital creativity, and other strategic emerging industries achieved a total industrial output value of 1393.066 billion yuan, an increase of 8.9% over the previous year. In 2020, the Yangtze River Delta will add 72 companies to its Sci-tech Innovation Board IPO, raising a total of 81.6 billion yuan.

Silicon Valley had 31 traditional IPO in 2021 that raised a combined total of \$12.5 billion in procedures - 45% more than the priority year’s 24 IPO and three the total value of the 22 IPO in 2019 representing 8% of the 379 traditional IPO on U.S. markets and 9% of the \$140 billion National total It is also the most developed high salary technology industry economic zone in the country. The difference is that compared with the mode of real economy driving financial integration in the Yangtze River Delta, Silicon Valley uses software development to drive basic industries to force high-tech companies to upgrade the real industry and drive the development of IPO Financing at the same time, and then carries out R & upgrading through the funds obtained from IPO Financing, and then form a virtuous circle to promote industrial upgrading. Part of the increase was due to record mergers and acquisitions by special purpose acquisition companies. Transactions were conducted nationwide, raising more than \$143billion. Although the M & Through comparison, we can see that although both the Yangtze River Delta Economic Zone and Silicon Valley are driven by high technology, compared with the industrial structure of Silicon Valley and the Yangtze River Delta region, the number of IPOs in Silicon Valley is much higher than that in the Yangtze River Delta region. Figure 4 shows that Silicon Valley IPOs account for roughly 30–45% of California IPOs, rather than a single company. In stark contrast, in the Yangtze River Delta, Shanghai’s IPO market share reached 47%, reaching 1.41 trillion yuan. Excessive scale will reduce the capital scale of other provinces in the region, and the development of financial integration requires outstanding companies to promote the development of the real economy and the upgrading of the real industry through continuous innovation after financing; A virtuous circle (Fig. 5).

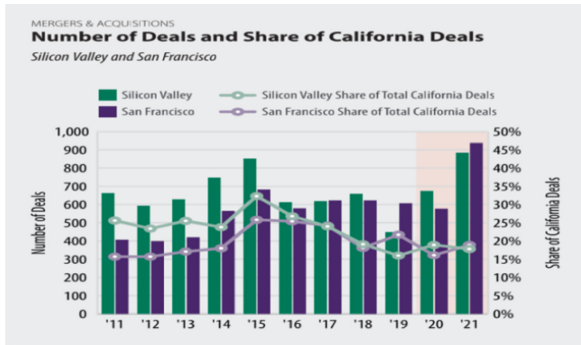


Fig. 5. Number of deals and share california deals

4 Conclusion

The industry in the Yangtze River Delta tends to be higher than that in other regions. The convergence of industrial structure has greatly inhibited the overall linkage effect of the Yangtze River Delta, and each region can not give full play to its comparative advantage, thus reducing the overall economic benefits of the region. The industrial structure of three provinces and one city in the Yangtze River Delta is highly similar. For example, Shanghai and Anhui also have new energy automobile industry, and Shanghai and Jiangsu also have high-tech drug research and development. Moreover, the development of regional credit system is slow, and it is difficult for banks in the Yangtze River Delta to supervise the capital flow of non local loans. In addition, the infrastructure of financial integration in the Yangtze River Delta is not perfect. The primary problem for the development of financial integration in the Yangtze River Delta is to build a financial interconnection network to speed up the capital flow among enterprises. While eliminating backward production capacity, we should build financial integration infrastructure to the greatest extent to promote the development of financial integration. It focuses on how to effectively reduce the obstacles of inter regional factor flow through institutional innovation, promote regional industrial division and cooperation through innovation of innovation environment and business environment, improve innovation efficiency, reduce operating costs, and create more convenient conditions for regional industrial agglomeration and industrial development.

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