

A Probe into the High-Quality Development Path of China's Financial Industry

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Abstract: Under the new economic normal, the financial industry plays an important role in the high-quality development of the national economy, which is conducive to promoting the development of a socialist market economy with Chinese characteristics, improving the financial system, laying a good foundation for the “Internet +” economic development, and promoting the stability and prosperity of the market economy. China's financial industry should be based on the new economic normal, strengthen the risk control of the financial industry, and ensure the stability of the financial market; Further improve the inclusive finance business, alleviate the capital problems of small and medium-sized enterprises, and activate the vitality of the financial industry; Promote fintech innovation, adapt to market changes and technological progress of The Times, and improve the comprehensive competitiveness of China's financial industry; Improve the financial supervision system, strengthen the supervision of the financial industry, standardize the development of the financial industry, and promote the high-quality development of the financial industry.

Keywords: Financial industry; Development status quo; Influencing factors; High-quality development

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1. Development status of China's financial industry in the new era

1.1. High financial risks

Under the new economic normal, financial industry risks include credit risks, risks inherent in the financial market, financial liquidity risks, user information security, etc. These financial risks reflect that China's financial industry system is not perfect and the economic structure needs to be optimized. For example, China's social credit system is not perfect, and the data of banks, credit institutions, and other financial institutions cannot be shared in real time, which affects the judgment of financial institutions on the financial risks of individuals and enterprises, and virtually increases the risks of the financial industry ^[1].

1.2. The inclusiveness of financial services needs to be improved

Inclusive finance refers to the provision of appropriate and effective financial services for all social strata and groups based on the concept of equal opportunity and the principle of sustainable industrial development, which is conducive to promoting sustainable and balanced development of the financial industry ^[2]. However,

the inclusive financial services in China still need to be improved, and the coverage of inclusive finance needs to be expanded. The inclusive financial services of some financial institutions are limited to large and medium-sized enterprises and urban users, and the restrictions on small and micro enterprises, farmers, and poor people are relatively high, which makes it difficult to provide financial support for the economic development of rural, remote and underdeveloped areas.

1.3. Insufficient innovation capacity of financial institutions

With the advent of the “Internet +” economic era, blockchain, Internet of Things (IoT), artificial intelligence (AI), big data, and other new technologies are gradually integrated into the financial industry, and mobile payment, virtual currency, and other businesses are derived. However, the innovation capacity of China’s financial institutions still needs to be improved ^[3]. For example, Chinese banks, credit institutions, and securities institutions pay more attention to the development of online banking, mobile payment, and other services, but ignore the integration of big data, blockchain, and other technologies into financial risk supervision, personal and enterprise credit information management and other services, which affects the security of financial information and service quality, reflecting the lack of innovation in China’s financial institutions.

1.4. The financial supervision system is not perfect

Financial supervision is a key element to ensure the high-quality development of the financial industry. However, China’s financial supervision system is not perfect at present, which is reflected in the following aspects: Firstly, the financial supervision system is not perfect, and the management responsibilities of banking, credit, P2P, and insurance institutions are not clearly divided, which makes it difficult to effectively restrict the operation of financial institutions. Secondly, there is little legislation related to the financial market, and the entry threshold for some P2P online lending platforms is missing, which threatens the safety of users’ funds of financial institutions ^[4].

2. Factors influencing the development of China’s financial industry in the new era

2.1. Macroeconomic environment

With the further development of the socialist market economy with Chinese characteristics, China’s financial industry is booming, but it is still affected by the macroeconomic environment, which further affects the yield of financial products of financial institutions, the rise of stocks, the development of cross-border banks, and the development of integrated financial industry ^[5]. In addition, the national macroeconomic policy will also affect the access threshold of financial institutions and the development of a social credit system, which affects the development of the entire financial industry.

2.2. Technological innovation factors

With the deepening of the “mass entrepreneurship and innovation” strategy, fintech innovation has injected new vitality into the development of China’s financial industry, promoted the development of emerging industries such as green finance, inclusive finance, digital finance, and sci-tech finance in China, and helped stabilize China’s financial market and promote the prosperity of the market economy ^[6]. Additionally, with the rapid development of artificial intelligence, blockchain, cloud computing, and other technologies, the rapid development of fintech has further expanded the service items of financial institutions, improved the quality of financial services, and provided consumers with more diversified financial choices, which has further promoted the development of China’s financial industry.

2.3. Internationalization of the financial market

With the further development of economic globalization, the multinational financial industry is booming, and foreign capital has gradually entered China's financial market. The internationalization of China's financial market is getting higher and higher, which has created more development opportunities for China's financial institutions. For example, the international financial market has attracted many foreign banks and investment institutions to invest, providing more financing opportunities for Chinese financial institutions, promoting the cooperation between domestic financial institutions and foreign financial institutions, helping Chinese financial institutions go abroad, further improving the market competitiveness of Chinese financial institutions, and thus promoting the high-quality development of the financial industry^[7].

2.4. Financial risk control

As the internationalization of China's financial industry accelerates, it is necessary to be alert to external risks and ensure the safety of China's financial market^[8]. The "China Financial Stability Report (2023)" released by the People's Bank of China proposes to strengthen financial supervision, take multiple measures to control all kinds of financial risks, standardize the business scope of financial institutions, crack down on illegal financial activities, establish a financial supervision system, improve the risk management ability of financial institutions, ensure the steady development of the financial industry, and lay a good foundation for promoting the development of the national economy.

3. The path of high-quality development of China's financial industry in the new era

3.1. Strengthen financial risk control to ensure the stable development of the financial industry

First of all, financial regulatory authorities should strengthen risk control and management of the financial industry, bring banking, insurance, credit, P2P, and other financial institutions into the scope of supervision, improve the financial risk prediction, assessment, prevention, and control system, and introduce new technologies such as big data and blockchain to monitor all kinds of data of financial institutions, thereby ensuring the stable development of China's financial market. For example, financial regulatory departments should pay attention to the financial business and sales of financial products of state-owned banks and commercial banks, strengthen capital risk management, and focus on monitoring the operation of multinational financial institutions and the flow of large amounts of capital. Once violations are found in financial institutions, they should urge them to rectify them in time to ensure the stable development of financial institutions' business^[9]. Insurance companies should enhance the ability of risk pricing and compensation to ensure reasonable risk pricing and stable compensation of insurance products. They should also strengthen the assessment and management of customer risks, identify high-risk customers in time, and take effective measures to manage and control them by establishing a perfect customer information database and risk model. Secondly, China's financial institutions should enhance their awareness of risk prevention and control, establish financial big data platforms, monitor internal financial products, financial services, and capital flows, establish financial risk management systems, strengthen risk prevention and control capabilities, ensure the safety of their own funds, and avoid capital chain rupture.

3.2. Improve the inclusive nature of financial services and stimulate the vitality of the financial industry

Inclusive finance is a crucial factor in promoting the healthy development of China's financial industry, rural revitalization, and poverty alleviation efforts. Its significance cannot be overstated. Therefore, financial institutions should actively improve their inclusive finance offerings, expand the coverage of inclusive finance,

and support rural economic development and the construction of a harmonious society.

For example, financial institutions should align with regional economic development trends and gradually favor small and micro-enterprises, rural enterprises, and individuals in need. They should enhance the suitability of financial services, further expand inclusive finance offerings, and support rural revitalization efforts by providing loans, financing, and other services to small and micro-enterprises and rural enterprises to alleviate their financial difficulties, thereby promoting the sustainable development of the rural economy ^[10].

In addition, financial institutions should also promote financial supply and services to agriculture. The insurance industry, for example, should introduce agricultural insurance, agricultural research loans, and other financial products to address financial challenges in agricultural research, processing, and other industries. This would promote rural economic development and help farmers escape poverty more quickly. Banks, for instance, can offer agricultural research and development loan services to agricultural research enterprises or projects, support the development of the green agricultural industry, solve financial issues for agricultural research enterprises, and lay a solid foundation for the transformation of scientific research achievements, further promoting the development of the agricultural industry.

Financial institutions should comprehensively optimize inclusive finance services to cover employment, housing, education, medical care, and other fields. They should meet the diverse financial service needs of different regions and populations, increase support for rural areas, agriculture, and those in need, and lay a solid foundation for rural revitalization while practicing corporate social responsibility ^[11].

Additionally, with the help of technology such as big data and artificial intelligence, financial institutions and insurance companies can more accurately assess customer risks, thereby reducing product costs and improving service efficiency. This will help to further expand the coverage of financial services and attract more potential customers to the market.

3.3. Strengthen fintech innovation and improve the competitiveness of the financial sector

First, the government should encourage financial institutions to actively innovate, promote cooperation between financial institutions and universities and research institutions, and encourage the adoption of new technologies such as AI, IoT, big data, cloud computing, and blockchain. They should also urge the development of green finance, digital finance, inclusive finance, and technology-based finance, further enriching financial products and improving the quality of financial services. This will enhance the overall competitiveness of China's financial institutions ^[12]. For instance, in the actuarial industry, smart contract technology can enable automatic claims settlement, improving both the speed and accuracy of the process while reducing management costs. Additionally, new models like Internet insurance and the sharing economy have expanded market opportunities and development potential for insurance actuaries.

Second, financial institutions should prioritize talent training. They should actively recruit experts in fintech, financial data, and financial derivatives, build professional financial management teams, improve the digital financial system, introduce new financial products, and enhance the financial risk prevention and control system to timely address both internal and external financial risks ^[13]. Furthermore, financial institutions should organize training programs focused on fintech, digital finance, and inclusive finance to boost employees' awareness of financial risks and their ability to apply big data technology. This will help them adapt to the current economic environment and the challenges posed by the international development of the financial industry, thereby enhancing their professional capabilities and promoting the healthy development of the financial sector.

3.4. Improve the financial supervision system and standardize the development of the financial industry

China's financial regulatory authorities should establish a robust financial supervision system, raising the market access threshold for financial institutions, especially in the Internet finance industry. They should strengthen the supervision of online loans, Internet wealth management, and other products to standardize the operation of Internet financial institutions, thereby reducing the occurrence of non-performing online loans and other issues, and ensuring the safety of people's property according to the law. For instance, financial regulatory authorities should enhance the governance of online financial platforms by raising access thresholds, issuing laws and regulations for the Internet financial industry, clarifying the rights and obligations of online financial institutions, and implementing comprehensive supervision over their online transactions and financial products. They should focus on the marketing of fintech and digital finance products, standardize their operations, and further improve the operational legitimacy of financial institutions to promote the high-quality development of the financial industry.

In the insurance actuarial industry, regulatory authorities can require actuarial companies to establish a sound risk management system, formulate reasonable risk management policies and measures, and strengthen the monitoring and evaluation of business, market, and credit risks. They should promptly identify and resolve potential risks. Additionally, it is necessary to enhance the qualification examination and training of employees in the insurance actuarial industry to improve the professional level and ethical standards of the industry as a whole, promoting its healthy development^[14].

Financial regulatory authorities should also establish a sound credit system for financial institutions, evaluating the credit of entities such as banks, insurance companies, and bond issuers. For example, relevant regulatory authorities can require insurance actuarial companies to timely disclose financial reports, risk management reports, and other information to the public, enhancing market transparency and boosting investor and consumer confidence. Furthermore, the review and approval of actuarial products should be strengthened to ensure that the products are legal, compliant, and controllable.

Regulatory authorities should adopt the regulatory concept of "early identification, early warning, early exposure, and early disposal" to eliminate regulatory gaps and blind spots. They should conduct comprehensive supervision of major financial institutions, accept consumer supervision and reporting, promptly address issues in the financial industry, safeguard the legitimate rights and interests of consumers, and promote the stable, sustainable, and healthy development of the financial industry^[15].

4. Conclusion

In short, the financial industry is a crucial cornerstone for China's economic development and a strong guarantee for rural revitalization. In the era of the "Internet +" economy, China's financial industry faces new opportunities and challenges. Government and financial management departments should strengthen market supervision of the financial industry, introduce laws and regulations related to digital finance and Internet finance as soon as possible, standardize the operation of financial institutions, strengthen risk prevention and control in the financial industry, improve the financial supervision system, and ensure the stable development of the financial market.

It is essential to vigorously develop inclusive finance, support small and micro enterprises, rural enterprises, and people in need, promote rural economic development, and support the high-quality development of China. At the same time, financial institutions should actively introduce new technologies, accelerate fintech innovation, recruit financial talents, and actively improve digital finance, green finance, inclusive finance, and other products to enhance their competitiveness. Establishing financial data supervision

platforms and improving risk prevention capabilities will contribute to the high-quality development of China's financial industry.

Disclosure statement

The author declares no conflict of interest.

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