The Impact of Financial Supply Side Reform on Enterprise Innovation Investment

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Abstract. Enterprise innovation investment requires a large amount of capital investment, and excessive external financing costs have become an important factor hindering enterprises to make innovative investments. The study reveals the financial supply side reform to ease corporate financing constraints and promote the transmission mechanism of R&D investment. On this basis, it points out the direction of future financial supply side reforms to promote R&D investment and social progress.

Introduction

At present, China's economic development has entered a new normal, and the driving force of economic development has shaken off the traditional factor-driven and investment-driven, and has turned to innovation-driven. Therefore, strengthening the innovation capability of enterprises has become a major strategic issue to adapt and lead the new normal of the economy. The existing theory shows that a country's financial development plays a crucial role in promoting its technological innovation. Therefore, to promote technological innovation and promote innovation-driven development, it must comply with the country's existing financial supply-side structural reform policy. Promote the needs of technological innovation and development of enterprises.

Levine (1996) believes that the financial system has basic functions such as facilitating liquidation and payment, optimizing resource allocation, facilitating risk decentralized management, providing information and solving incentive problems. Capital accumulation and technological innovation are two important channels for these functions to act on economic growth. Among them, at the level of capital accumulation, the financial system mainly aims to promote the growth of the real economy by changing the ratio of capital formation. This has been well explained in the traditional economic growth model and theory; while the technological innovation channel emphasizes The role of the financial system is to change the efficiency of technological innovation by promoting and promoting economic growth by reviewing and providing funds to companies that are most likely to successfully develop new products and put them into production. Generally speaking, in the initial stage of economic development, capital accumulation has a more obvious effect on economic growth than other factors. However, when the economy develops to a certain stage, the role of technological innovation in promoting economic growth is highlighted. It is important to promote economic growth through the channel of technological innovation. Then how does the financial system affect innovation investment? The financial system mainly affects innovation investment though the following aspects.

The Mechanism of Financial Supply Side Reform Affecting Enterprise Innovation Investment

Financing Function of the Financial System.

Innovative investment by enterprises requires a lot of manpower and material input, especially the need for continuous funding to provide strong support. For example, during research and

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development, in order to develop new products, seed funding is needed. In the growth period, in order to enable products to Successful entry into the market requires the support of venture capital: in the mature period, in order to expand the scale of production and sales, it needs the financial support of the investment bank. In the maintenance period, in order to maintain its market, it needs financial support from commercial banks to maintain its market share (Chen et al, 2010).

Due to the large amount of capital required for innovative investment, it is generally impossible for individual capital accumulation to be borne. Therefore, the financial system acts as an intermediary to bridge the funds supply and demand side, and it is necessary to finance external funds. Otherwise, the limitations of endogenous financing will limit the development of technological innovation activities.

Resource Allocation Function of the Financial System.

On the one hand, financial intermediaries gather scattered social idle funds, on the other hand, they can use the funds gathered to invest in promising enterprises and projects, so that financial intermediaries also realize the allocation function of funds in the process of financing and investment. The allocation of funds is the primary performance of resource allocation in the financial system. It improves the distribution of savings among investment choices through financial markets, reduces the cost of information, and improves the efficiency of allocation of financial resources. The development path, quality and effectiveness of technological innovation in a country or region often depend on the resource mobilization and allocation efficiency of the financial system.

The existence of the financial system has greatly reduced transaction costs. Many potential investors can directly influence technological innovation through the financial system, such as buying stocks and bonds of innovative companies through financial markets, and forming ownership or claims for technological innovation. In addition, the existence of the financial system enriches the market information, assuming that the market information is complete, that is, each potential investor not only has various knowledge information about the effectiveness of technological innovation, but also obtains the technology. Innovation-related contractual arrangements and trading information, under the influence of market competition, the main body of technological innovation will find buyers who can achieve the most effective, and ultimately promote the optimal allocation of resources related to technological innovation.

Risk management function of the financial system.

The process of technological innovation is a large and complex system engineering, and the innovation subject will face the uncertainty of the external environment and the limitations of the innovators in each stage of innovation, so that the technological innovation presents a higher risk overall. In the investment body, most investors are risk-averse. In order to achieve the capital preservation investment goal, they often choose technology innovation projects with relatively low degree of specialization and relatively low risk, which will lead to investment. The lack of effective investment in highly specialized technological innovation projects is not conducive to the development of high-tech innovation activities. However, the risk management function of the financial system has solved this problem well. With the development and improvement of financial markets, financial markets can Investors provide more asset portfolios, which diversify investors' investment risks and expand the range of investors' choices. Therefore, the financial system promotes technological innovation by diversifying the risks of investors and thus stimulating economic growth.

In addition to the risk management function of risk diversification, the financial system also has an important risk management function, which is risk reduction. It can realize risk reduction management functions through optimized asset portfolio and specialized risk management skills. In addition, good financial arrangements can not only reduce the risk of technological innovation, but also provide a variety of financial tools for risk sharing and risk trading of technological innovation, thus promoting the smooth implementation of technological innovation activities (Tang et al, 2005).

Information Processing Function of the Financial System.

Assessing and predicting the development prospects of high-tech projects is difficult for individual investors or institutions to achieve because the costs are high and investors are often

reluctant to spend time and effort collecting relevant information without getting In the case of reliable information on innovative projects, investors are afraid to rush to invest in their high-tech projects, so it is difficult for funds to flow from investors to valuable innovation projects. Financial intermediation and financial markets have the advantages of information acquisition and information processing. They can identify and select high-tech projects with promising prospects and valuables, and guide funds to these innovative enterprises to provide sufficient technological innovation projects with market prospects and value. Financial support (Chen et al, 2010).

In fact, the process of screening and selecting technological innovation projects in the financial system is also a process of identifying and judging the value of technological innovation. Therefore, the financial system provides information processing functions for technological innovation mainly because the financial system can identify and screen technological innovation projects, survive the fittest, and supervise the correct use of funds.

Savings Mobilization Function of the Financial System.

Savings mobilization refers to the financial system as an intermediary, which gathers scattered social funds, bridges the supply and demand sides of funds, and mobilizes the mobilized funds to invest in productive projects with high expected returns. Generally speaking, investment projects with high expected returns often require a large amount of investment. It is difficult for individual investors to finance the entire project by personal strength. If there is no financial system to gather socially dispersed savings funds, then there is funding. Entrepreneurs in demand may need to conduct multiple bilateral financial transactions with multiple savers, and this transaction process will greatly increase the cost of entrepreneurs, causing financing barriers caused by transaction costs. However, due to the existence of financial markets and financial intermediaries, these problems can be well overcome. On the one hand, diversified financial products provide investors with more choices. They can hold a diversified portfolio of assets. Choose projects with relatively high ROI; On the other hand, financial markets and financial intermediaries can reduce time costs, transaction costs and contract costs for both parties.

Clearing Payment Function of the Financial System.

As early as the 1870s, Adam Smith introduced in his "The Wealth of Nations" that the clearing payment function provided by the financial system made the trading of goods, services and assets more convenient, and also reduced the transaction cost of financial contracts. Technological innovation and economic growth have contributed to this.

Supervision and Incentive Function of the Financial System.

The incentive to innovate the main body comes from the huge profits that can be obtained after the success of technological innovation, but high returns also mean high risks. The process of technological innovation is usually accompanied by a series of objective risks, such as market risk, technical risk, finance and management Risks, etc. If the innovation subject is driven by interest and blindly and aggressively carries out innovation activities and lacks the necessary supervision and restraint mechanism, it will increase the subjective risk of technological innovation, and then the possibility of innovation failure is great. In view of the large number of objective and subjective risks in the process of technological innovation, the relevant supervisory institutions should supervise the capital investment and creditor's capital investment through the financial system. In addition, it is possible to encourage technological innovation subjects to fully exert their subjective initiative by introducing equity and options, thereby promoting technological innovation.

Conclusion

The above summarizes the micro-action mechanism of financial development to promote technological innovation from seven aspects. Of course, the financial development system promotes multiple functions of technological innovation is not independent, but crosses each other and penetrates each other to promote technological innovation and promote The important role of economic growth.

The importance of the financial system to economic development has become a consensus. As the blood of economic development, finance is gradually at the core of economic development.

According to the reality of financial development in developing countries, an important aspect to achieve technological catch-up is to accelerate financial reform, but financial reform must be gradual, and must not blindly develop "modern finance." Modern finance is the finance of a developed country like the United States. The market system, industrial technology and legal system of developed countries are at the forefront of the world. The risks of technological renewal and product innovation in their leading industries are very high. Therefore, the development of modern finance needs to Perfect financial market and strong financial scale are supported. China's financial reform should follow China's basic national conditions, achieve leap-forward and sustainable development, and build a harmonious socialism with Chinese characteristics.

Establish a Multi-Level Capital Market System.

The basic goal of building a harmonious socialism with Chinese characteristics is to establish a diversified modern financial system based on the capital market, dominated by commercial banks and with private finance as the main body, create a harmonious financial ecological environment, and give full play to the market mechanism in resource allocation. The fundamental role of the aspect. Adjust the structure of the capital market, actively promote the reform of state-owned banks, reduce the threshold for market entry, develop the privatization of private banks, and increase competition among commercial banks. Strengthen the insurance supervision system and promote the healthy operation of the insurance industry. Continue to expand the scale of the stock market, actively promote the construction of the GEM market; steadily develop the bond market, investment fund market, futures options market, margin financing and securities lending market, and accelerate the innovation of financial instruments.

Improve the Financial Legal System and Supervision System.

The essence of the market economy is the rule of law economy. The law is the rule that regulates the behavior of the subject and adjusts the social relationship. In order to ensure the harmonious development of financial markets, financial laws must set up a set of sound value standards, codes of conduct and implementation plans. At the same time, a sound supervision system and a legal independent mechanism should be established. Strengthen the functions of ex ante control, in-process supervision and post-event evaluation of financial supervision departments. Law enforcement agencies must strictly enforce laws and violate laws and regulations, safeguard the healthy operation of the national financial order; transform government functions, introduce social supervision, and strengthen international exchanges of financial supervision mechanisms. Finally, we must raise the awareness of self-discipline in the industry. Improve the professional quality of financial practitioners, strengthen the business norms and improve moral cultivation by the principle of honest service and legal operation.

Implementing the “going out” Strategy of Financial Institutions.

In the context of economic globalization, the world financial market is also changing rapidly. To conform to the new normal of global finance, building socialist harmonious finance will inevitably promote the internationalization of China's financial business, financial institutions, financial markets and financial mechanisms. To promote trade liberalization and strengthen the support of China's financial system for the real economy sector, it is necessary to implement the “going out” strategy of financial institutions; on the other hand, accelerate the internationalization of financial institutions' business, which is conducive to learning and learning from international experience. Lessons, improve China's financial legal system, reduce financial innovation risks and innovation costs, and improve financial innovation efficiency. In short, in the future for a long time, deepening financial reforms and accelerating financial development are the basic ways to promote China's technological catch-up and economic growth.

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