

Research on the Construction of "Dual Core Complementary" Financial Centre in Chengdu and Chongqing

Kai Qiu^{a,*}, Baiyu He^b, Kaifang Zhao^c

School of Economics and Management, Chengdu Normal University, No.99, Haike Road, Easten Section, Wenjiang District, Chengdu, Sichuan, China

^a 675191864@qq.com, ^b 985439109@qq.com, ^c 53179975@qq.com

*Corresponding author

Keywords: Financial Centre, Chengdu-Chongqing Economic Circle, Dual Core Complementary

Abstract: The construction of Chengdu-Chongqing Economic Circle needs a financial centre which could allocate resources and spread risks to transfer manpower, material, and financial resources. However, based on the financial requirement in the construction of Chengdu-Chongqing Economic Circle, the development of financial industry was far less than the object of financial centre. Meanwhile, there should be a "dual core complementary financial centre" to deal with the competition of the two cities, and the financial centre could achieve the objective of dislocation development and win-win symbiosis. To build the "dual-core" financial centre, the local government should break the limit of administrative districts in the economic zone, and eliminate the construction conflicts from local and Economic Zone, allocate all kinds of resources efficiently.

1. Introduction

The launch of "The Plan for the construction of the Chengdu-Chongqing economic circle" marks a new stage of historical development for Chengdu and Chongqing, and the Plan clearly proposes to support Chengdu and Chongqing to build a western financial centre together. The establishment of Chengdu-Chongqing twin-city economic circle has not only opened a new round of the development of the western region in China, but also assumes the important mission of linking the economic development of the whole southwest region and even radiating to the northwest and central regions of China^[1].

The construction of Chengdu-Chongqing economic circle requires a lot of human capital and financial resources, which should be achieved through the establishment of financial centres to play their role in resource allocation and risk transfer. However, looking at the current development situation of Chengdu and Chongqing, the development of the financial industry is far from meeting the requirements of building a financial centre. At the same time, Chengdu and Chongqing have respectively planned to establish financial centres, and there are overlapping and conflicting places in their planning. With the implementation of the Plan, the construction of financial centres obviously needs to be re planned.

The construction of financial centre in Chengdu-Chongqing region is a systematic and complex project, which should not only consider the influence of government economic policies and regional competition, but also make full use of financial innovation tools. In view of this, this paper proposes the establishment of a "twin-city complementary" financial centre to realize the staggered development and win-win coexistence of Chengdu and Chongqing, and uses various financial innovation tools as the key breakthrough in the construction of a financial centre in the region.

2. The Necessity of Financial Centre in Chengdu-Chongqing Economic Circle

Finance is both an essential element in the modernization process and an important indicator of a country's (region's) level of economic development. Analysing the development history of cities around the world, we find that the development of most regional economies cannot be separated from

financial centres of different levels, which can provide a variety of financial products with different risks, returns and liquidity. There are two main reasons for this: first, the development of the economy is the basis and guarantee for the financial industry; second, the further development of the economy requires access to more social resources to support, then it is necessary to deploy resources through the concentration of various types of financial institutions and provide financial products and services with different risk-return-liquidity combinations, and the cities where different types and levels of financial institutions are located constitutes a financial centre.

2.1. The Financial Industry cannot Meet The Requirements of a Financial Centre and Two Cities Circle

From the perspective of the current development situation, the geographical environment and other factors have caused uneven economic development and industrial distribution in the Chengdu-Chongqing economic circle, with unbalanced regional economic development and industrial configuration. Meanwhile, influenced by the regional economy, the development of the financial industry in Chengdu and Chongqing lags that of the economically developed coastal areas, with serious homogenization of financial products and services and poor innovation ability. In addition, the development of the financial industry in the region is also uneven, with various financial institutions concentrated in Chengdu and Chongqing, and few financial branches in small and medium-sized cities, as well as a single type.

In 2021, Chongqing achieves a GDP of 2.79 trillion yuan and Chengdu creates a GDP of 1.99 trillion yuan, with growth rates of 8.3% and 8.6%, respectively. The financial sector in the Chengdu-Chongqing Economic Circle has also achieved continuous growth, although there is a large gap compared to Shanghai, which is currently the financial centre of China.

Table 1 Banking financial institutions in Chengdu-Chongqing Economic Circle and Shanghai in 2021.

Items	Chengdu-Chongqing Economic Circle		Shanghai	
	Number of institutions	Total Assets	Number of institutions	Total Assets
Large Commercial Banks	4728	64913	1625	74038
Joint-stock Commercial Banks	845	18835	873	50745
Urban commercial banks	1301	31499	481	29883
Small rural financial institutions	7533	35790	359	11017
Finance Companies	10	1575	24	9840
Trust companies	4	605	7	724
Postal Savings	3290	11603	485	2730
Foreign Banks	46	727	200	16056

The number of large commercial banks, urban commercial banks, postal savings, and small rural institutions in the Chengdu-Chongqing Economic Circle has surpassed that of Shanghai, which is attributed to the wider geographical area of the region. The total asset size of banking and financial institutions amounted to 19.22 trillion yuan, lower than Shanghai's 21.31 trillion yuan. In addition, the number of securities companies and insurance companies is also much lower than Shanghai; the amount of fundraising in the A-share market and premium income in that year are also lower than Shanghai.

Table 2 Chengdu-Chongqing economic circle, Shanghai securities industry basic information.

Items	Chengdu-Chongqing	Shanghai
Number of securities companies headquartered	5	31
Number of fund companies headquartered	2	61
Number of futures companies headquartered in the jurisdiction	7	35
Number of domestic listed companies at the end of the year	219	390
Domestic stock (A-share) fundraising for the year (billion yuan)	432	1241

Table 3 Chengdu-Chongqing economic circle and Shanghai insurance industry basic Information.

Items	Chengdu-Chongqing	Shanghai
Number of insurance companies headquartered in the jurisdiction	9	58
Property insurance business entities	5	19
Life insurance business entities	4	22
Branches of insurance companies	161	108
Property insurance company branches	70	53
Life insurance company branches	91	52
Premium income (billion yuan)	3174.4	1971
property insurance premium income (billion yuan)	925.7	524
Personal insurance premium income(billion yuan)	2248.7	1447
Various types of claims payments (billion yuan)	1098.6	738

From Tables 1, 2 and 3^{[2][3][4]}, the financial industry in the Chengdu-Chongqing Economic Circle has the following main characteristics: the financial industry is dominated by banks, with a relatively small number of securities companies, insurance companies and trust companies. There are many bank branches with wide coverage, and few branches of other financial enterprises with incomplete coverage; the number of financial products and services is large, but the degree of homogenization is serious, and the differentiation of financial products and services in terms of risk, liquidity and return is not enough; the industry and personal financing channels are limited. It is obvious that the development of the financial industry is still far from meeting the needs of the Plan for the construction of the Chengdu-Chongqing economic circle. To build a financial centre, it is necessary to improve the existing advantages of financial institutions and perfect the various weaknesses of the financial industry in response to the development requirements of the Chengdu-Chongqing Circle, the characteristics of regional economic development and the needs of the financial market.

With the establishment of the Chengdu-Chongqing Economic Circle, the industrial system in the region will undergo major changes, and small and medium-sized enterprises related to new industries will continue to emerge. In such a context, the financial industry must develop at a faster pace in order to perform the functions of great resource allocation, capital financing and risk diversification.

2.2. The Chengdu-Chongqing Economic Circle Needs a Financial Centre to Allocate Resources

2.2.1. Financial Centre Support Infrastructure Construction Needs

Infrastructure projects, which are characterized by high initial investment, long payback periods, low returns, and lack of collateral, are a combination of low risk and low return from a risk-return perspective. Traditional bank credit funds are not willing to involve in such projects, and there is a need to encourage financial innovation by existing financial institutions through the construction of innovative financial centre to develop new financial products to match the capital needs of infrastructure projects and complete their financing needs.

2.2.2. Financial Centre Provides Guarantee for Industrial Development

To achieve comprehensive industrial development, the Chengdu-Chongqing region needs to actively develop high-tech industries and form a core competitiveness unique. The establishment of the financial centre will not only provide sufficient financial products and service resources for industrial development, but also support high-tech enterprises and small and medium-sized start-ups in the region through channels such as venture capital funds, PE and VC, so as to achieve support and guidance for key industries and help these enterprises survive, develop and profit.

2.2.3. Financial Centre Promotes Residents' Income and Improve Welfare

Along with the growth of the Chengdu-Chongqing Economic Circle, the financial needs of residents in the region will gradually increase and diversify. The financial needs of residents include four main areas: entrepreneurial financial needs, investment financial needs, consumer financial

needs and protection financial needs. It includes both the demand for capital and the demand for financial products, which requires various types of financial institutions to provide them with micro-credit, financial investment tools, insurance, and financial products, etc.

The sentence must end with a period.

2.3. Economic Development and Financial Centre Building are Mutually Reinforcing Processes

There is not only a strong positive correlation between the development of the financial sector and economic growth, but there is also a two-way causal relationship between the two, which manifests itself differently at different stages of economic development.

There is a strong positive correlation between the development of the financial sector and economic growth, and the relationship between them has different manifestations at different stages of economic development.^[5] In the early stages of economic development, the relationship is supply-led, meaning that the development of finance can optimize the allocation of capital to the most productive and growth-oriented projects. This increases the efficiency of capital investment and promotes economic growth.

3. The Path to Building the "Dual-Core Complementary" Financial Centre

3.1. The Meaning and Characteristics of a "Dual-Core Complementary" Financial Centre

A "dual-core complementary" financial centre means that the construction of the financial centre in the Chengdu-Chongqing region is not bounded by cities. According to the economic development of Chengdu and Chongqing, we should focus on developing the corresponding financial institutions, products, and services. The financial sector in the two cities is staggered in order to avoid duplication and disorderly competition, and to play a role in the construction of the entire economic circle.

Table 4 Regional distribution of financial centre cities in China.

Region	Cites
North China	Beijing, Tianjin, Shijiazhuang, Taiyuan, Hohhot
Northeast China	Shenyang, Dalian, Changchun, Harbin
East China	Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wenzhou
Central China	Fuzhou, Xiamen, Jinan, Qingdao
South China	Wuhan, Zhengzhou, Hefei, Nanchang, Changsha
Southwest China	Guangzhou, Shenzhen, Nanning, Haikou
Northwest China	Chongqing, Chengdu, Guiyang, Kunming

Within the limited space, it is not possible to establish two financial centres in Chengdu and Chongqing at the same time. According to the characteristics of the two cities, we should adopt different and staggered strategies to achieve a win-win situation.

3.2. The Path to Building a "Dual-Core Complementary" Financial Centre

3.2.1. Financial Centre is Predicated on Innovation

The Chengdu-Chongqing circle should innovate financial products and services in order to increase the coverage of financial needs. For example, banks and trust companies are working together to develop low-risk financial products that match infrastructure projects. Financial institutions should investigate the possibility of upgrading their own products and services to meet the different needs of their customers in accordance with the requirements of enterprises.

3.2.2. Staggered Development of Financial Institutions

A "dual-core complementary" financial centre must stagger the development of financial institutions in Chengdu and Chongqing. For example, Chongqing focuses on the development of financial institutions related to industrial investment and other industries to provide financial support for manufacturing clusters. Chengdu focuses on developing financial institutions such as consumer finance and venture capital funds to effectively safeguard the development of the region's industries.

4. The Practical Problems of "Dual-Core Complementary" Financial Centre

The construction of a "dual-core complementary" financial centre in Chengdu and Chongqing will not be achieved overnight. There are several practical problems that should be solved in order to ensure the implementation of the financial centre construction programme.

4.1. Determination of the Financial Centre Planning Scheme

The "dual-core complementary" financial centre requires a complete planning programme before it can be built, and this programme will guide practical activities.

Firstly, universities and research institutes should discuss the "dual-core complementary" financial centre at an academic level, conduct comprehensive research and fieldwork on the characteristics of Chengdu and Chongqing, and submit a feasibility study on the "dual-core complementary" financial centre. Next, the government will revise and refine the financial centre proposal, consider the feasibility of the academic findings from a specific construction perspective, and formulate a master plan for the construction of the financial centre. Finally, Chengdu and Chongqing have formulated their own financial centre development plans in accordance with the requirements of the "dual-core complementary" financial centre master plan.

4.2. Issues Related to Staggered Development

Although Chengdu and Chongqing are planned as a whole, the administrative boundaries of the two regions cannot be eliminated and the objectives of each local government cannot be fully aligned. In particular, the development of "staggered complementary" financial institutions is inevitably at odds with the objective of maximizing the economic interests of local governments.

Therefore, financial centre development planning requires the Chengdu-Chongqing government to take a holistic view, abandon a narrow way of thinking and, according to the requirements of the plan, exclude local objectives from impeding the overall goal. In fact, the purpose of establishing the Chengdu-Chongqing economic circle is to achieve staggered development and win-win coexistence.

The establishment of the Chengdu-Chongqing "dual-core complementary" financial centre will open a new page in the history of China's financial development, providing not only more support for regional economic development, but also bringing new vitality to China's financial reform and innovation.

Acknowledgements

This work was supported by a grant from the Chengdu Normal University Scientific Research Project (No. CS21SCY09).

References

- [1] Li Zhongfeng. The Annual report on construction of the Chengdu-Chongqing Economic circle. Beijing: Social Science Academic Press, China(2022)
- [2] People's Bank of China: Financial Operation Report of Sichuan Province in 2021(2022).
- [3] People's Bank of China: Financial Operation Report of Chongqing Province in 2021(2022).
- [4] People's Bank of China: Financial Operation Report of Shanghai Province in 2021(2022).
- [5] Gehrig T. Cities and the Geography of Financial Centres. Cambridge: Cambridge University Press,1998.