Measurement of Financialization Index of Non-financial Listed Enterprises in China and Research on Real Economy Risk

Huibo Wang[1], Qianqian Ren2
[1] Corresponding author. School of Economics and Management, Beihang University, Beijing 100191, Beijing, China. Email: whb1225@buaa.edu.cn.
[2] School of Management, Tongmyong University, Pusan 48520, Pusan, Korea. Email: janerenphd@163.com.

Abstract: In recent years, problems such as investment deviation from entities, inefficient allocation of resources and increased financing risks have become prominent in China's economic development. This has an impact on the stability of the financial system and the "de-reality to virtual" of economic development, which has attracted great attention from government management departments. The TVP-VAR model is used to determine the weight of the influence of financial, insurance and real estate factors on financialization, measure the development level of financialization and analyze its transmission mechanism and causes, focusing on the significance of promoting financial openness and improving the financial environment, and using Lasso regression to analyze the influencing factors of real economy development. The results show that financialization can predict the development of real economy, and the impact of positive and negative shocks is asymmetric; Adjusting investment in fixed assets, issuance of government bonds, interest rates and the development of the stock market can all support the development of the real economy. Since 2012, the impact of financialization has changed from inhibition to promotion, indicating that the relevant policies of financial support for the development of the real economy implemented in China have achieved results.
Key words: financialization; Real economy; TVP-VAR model; Lasso regression; Financial opening
Tob Regul Sci.™ 2021;7(6-1): 7236-7247
DOI: doi.org/10.18001/TRS.7.6.1.48

Introduction

General Secretary Xi Jinping pointed out: "A country must have the right strategic choice. As a big country, China must develop the real economy and constantly promoting industrial modernization and improving the level of manufacturing industry cannot be divorced from reality virtual "[1]. The crisis spread from the financial industry in 2008 had a more serious impact on the financial system. After the crisis, the economic development was in a depression stage. The financial sector did not support the recovery of the real economy while resuming its development. In order to restore the economy, stimulate investment and cope with the quantitative easing policy of the United States, China's money supply has been kept at a high level. In contrast, the low profit rate and slow development of the domestic real economy sector obviously do not match the high level of money supply, showing the situation that financial development is separated from the real economy.

The work of the financial supervision department has turned to accurately and effectively support the development of the real economy. The support is reflected by the scale of social financing. The change of this indicator has gone through three stages: from 2002 to 2008, the scale of social financing fluctuated in a low level range of 2 trillion-7 trillion yuan; From 2009 to 2014, this indicator rose from 6,980.2 billion yuan to 6,980.2 billion yuan after the outbreak of the financial crisis 13.9104 billion yuan, and the scale increased to 17.316 billion yuan after the financial conference in 2012; From 2015 to 2018, the fluctuation range of the index was 15 trillion-20 trillion yuan, and the level of financial support reached the highest level of 19.443 billion yuan after the implementation of the financial system reform in 2016, which shows that the financial support for the real economy has been continuously strengthened. The early financial support to the real economy did not effectively solve the financing difficulties and high costs, because of the lack of motivation for direct financing, The scale of domestic stock financing of non-financial enterprises in China is lower than that of RMB loans before 2016, which indicates that entity enterprises mainly rely on indirect financing channels mainly based on bank credit, increasing the financing pressure and risks of enterprises; Stock financing from 2016 to 2018 is much higher than the scale of RMB loans. The change of enterprise financing structure will help to improve the promotion of finance. At present, the overall level of social financing in China can steadily support the development of entities.

Yi Gang's speech opened a new stage of China's financial reform and opening up. When the central bank promoted financial reform and opening up, it received responses from banks, securities, insurance industry and "one line and two sessions" to realize the coordinated development of various industries. This will promote the upgrading of financial institutions, increase financing channels and improve financial resources.

Use efficiency to improve the quality of financial services in all directions. With the advancement of financial reform and opening up and the improvement of financialization level, there are differences in the development of various departments, resulting in investment deviation, inflated prices and financial risks. Therefore, the impact of economic financialization on the development of the real economy is still worthy of attention.

1. Literature Review

Financialization is developed on the basis of the theory of "financial capital". At present, there are still differences in the definition of financialization in academic circles. In the early stage of financial market development, investors' profits come from commodity production and foreign trade. With the development of the system and the perfection of the market, investors turn to financial channels to obtain profits and accumulate profits. Financial markets can absorb it

Investments from various sectors have gradually extended the development of financialization from a single financial sector to various fields (Krippner, 2005) [2]. This paper pays attention to the economic activities of financial sector and non-financial sector at the same time, and then can comprehensively measure the financialization level of the economic system. Regarding the definition of the real economy, reference is made to the viewpoints of Luo Nengsheng and Luo Fuzheng (2012) [3] and Zhang Lin et al. (2014) [4], emphasizing that the real economy is not limited to the life of materials and services

Production, but also includes the production of spiritual products such as education, culture and sports. At the same time, economic activities participating in the circulation of the above tangible or intangible products are also included in the scope of the real economy. A correct understanding of the connotation of the real economy and a scientific definition of its scope have become the prerequisite for the implementation of "vigorously developing the real economy".

The measurement of the degree of financialization starts with the early Gorbachev and Mai's indicators. Due to defects in the definition of financial assets and the selection of indicators, its application is limited to some extent. In the follow-up research, many scholars are committed to further improving and perfecting the calculation method of financialization. The construction of comprehensive indicators to measure financialization has gradually been recognized by academic circles, but it is in sub-indicators

There are many differences in the selection of and the determination of corresponding index weights. On the one hand, Cai Zexiang et al. (2004) divided the development process of financialization into four stages and integrated money, credit and stock

Data from various types of markets such as tickets, derivatives and online finance describe the degree of financialization at various stages, and find that the index system has better applicability than a single index [5]. Zhang Mubin et al. (2013) based on the perspective of global value chain division of labor, selected indicators from macro, departmental and industrial levels for data analysis, and found that compared with the United States, the degree of financialization of China's real economy is not significant and there is no strong sustainability [6]. In order to break through the limitation of public data information during calculation, Dai Zhi (2018)

The financialization of more types of enterprises is measured not only from the public information of listed companies, but also from the perspectives of asset subjects, profit sources and the correlation between assets and liabilities [7]. The uncoordinated development of departments will lead to differences in output value, debt scale, employment and profit rate, which can be used for reference in measuring the level of financialization development in China [8]. Zhou Shaodong et al. (2018) Analyzed Finance in Macro

The change trend of industrial added value, the meso aspect pays attention to the change of financial assets proportion and income level of non-financial enterprises, and the micro aspect is based on employment level

And by comparison, it is found that the degree of financialization in China is mainly manifested in macro and micro perspectives [9].

On the other hand, the research on the assignment method of each index weight. For example, Tian Xinmin et al. (2018) used principal component analysis to construct a financialization index of 7 sub-indicators. The research found that the index can better reflect the trend of China's financialization development and the volatility of the cycle, and the index characteristics are easily affected by the financial environment and macro policies [10]. Pei Xiangyu (2017) selects sub-indicators to measure the degree of financialization in different departments, uses fuzzy analytic hierarchy process and entropy method to determine the static and dynamic weights of the indicators respectively, and obtains comprehensive indicators. It is found that the development of economic financialization in the United States has stages and periodicity [11]. Scholars have made mistakes in constructing comprehensive indicators

In the process, it is recognized that the setting of static weight is unreasonable, and the dynamic and time-varying index construction is considered, so that the measurement accuracy can be improved.

Analyzing the relationship between financialization and real economy development and regional differences has become a hot issue at present. Zhang Yichun et al. (2015) discovered the development of regional finance and real economy by building an inter-provincial double threshold panel model

Unbalanced relations reduce the effectiveness of resource allocation and the degree of financial development

Insufficient or excessive is not conducive to the development of the entity and needs the coordinated development of the two [1]. Ma Hong et al. (2018) found that R&D investment has a stronger crowding-out effect than fixed asset investment, and this effect is easily affected by property rights and financial development level. The uncoordinated development of virtual and entity is not conducive to entity investment [13]. Therefore, the unbalanced development of finance and real economy at the regional and enterprise levels will hinder real investment and reduce the efficiency of resource allocation. Du Yong et al. (2017) will give birth to monetary policy and finance

Quantitative incorporation of state environment into the model, using the data of Shanghai and Shenzhen A-share listed companies, it is found that financialization will promote the development of main business in a good financial environment

Exhibition, but when loose monetary policy will deepen the inhibitory effect on the main business [14]. Zhang Tonggong et al. (2018) found that finance is affected by other factors on the development of the real economy. Among them, direct financing has a positive effect, while investment crowding effect has a negative effect, thus improving direct financing channels helps to improve support efficiency [1 5]. The research results of the above scholars tend to inhibit the development of entities. Dai Wei (2018) analyzes the impact of corporate financialization on economic development, including the obstruction and integration of physical investment

Negative effects such as higher capital cost and serious debt burden include positive effects such as optimizing resource allocation, buffering external shocks and providing capital financing [7]. Zhu Xi'an et al. (2019) used inter-provincial panel data to build a half

Logarithmic model, the study found that the level of financial development has a promoting effect on the development of the real economy in the whole country, but the results of Shapley value decomposition are obvious shows that there are obvious regional differences in this promotion [16]. Financialization has a two-way impact mechanism on the development of the real economy. Based on the research results of scholars, it is found that the impact is more dominated by inhibition, but the positive impact of financialization on the development of the real economy cannot be ignored.

To sum up, the academic circles have experienced a development from a single index to a comprehensive index, from static weight to dynamic time-varying weight. The supporting role of the financial sector to the real economy is restricted by regional differences and unbalanced development. The negative impact of finance on the development of the real economy is reflected in the "crowding out" of investment, but it supports financing.

2. The performance of economic financialization

The financialization of the economic system is first manifested in the expansion of the financial sector

Exhibitors and academics usually use financial correlation rate (FIR) indicators to reflect their changing trends. Considering the components of financial market, this paper uses quadratic interpolation method to frequency convert quarterly GDP data, and calculates the GDP proportion of financial assets to obtain FIR. China's financial market began to develop in 2003, and showed an obvious upward trend two years later, which made the FIR value from 1999 to 2005 lower and the fluctuation range smaller. Since 2004, the level of financialization has entered a new stage of development, especially after 2006, with the continuous accumulation of financial assets and the obvious increase in profits, the ratio affected by the financial crisis has decreased. After the "subprime mortgage" crisis, the government took timely measures to increase investment to stimulate the economy. The stock and real estate markets were actively traded. Investment in various departments showed a trend of financialization. FIR reached a local peak from 2009 to 2011. From 2012 to 2018, the fluctuation range of FIR weakened and showed a steady development trend. It can be seen that since 2003, China has entered a period of rapid promotion of financialization.

From the comparison of the contribution rate of various industries to GDP, as shown in Figure 1, the development of financial industry was in its infancy from 1992 to 2003, and the output value was obviously lower than that of other industries. The contribution rate of industry to GDP was absolutely dominant. Since 2004, the output value of the financial industry began to rise, and its contribution to GDP continued to increase until the crisis. After the financial crisis in 2008, the growth rate slowed down. The "4 trillion" investment plan implemented to recover the negative impact of the crisis stimulated the rapid increase of financial production capacity, and the high contribution rate continued until 2010. After 2011, the United States continued to adopt quantitative easing policy to recover the economy, and China's monetary policy was forced to adjust.

government departments play the basic functions of providing public goods and investing in infrastructure. When investing in projects with large amount of funds and long investment cycle, the liquidity of funds in the market will be reduced. Limited by the fiscal budget, fiscal revenue needs to make up for various fiscal expenditures in addition to investment in basic projects. Government departments will seize the resources of the market after becoming the financing demander. The credit market attracts investors to invest funds through high interest rates to make up for the shortage of funds, thus increasing the financing costs of enterprises in disguise. When financing is difficult and internal capital turnover is slow, it will hinder the development of real economy enterprises.

Financialization is transmitted to the family sector mainly through the channel of earning property income. Families can obtain interest income through the savings of banks and other financial institutions and obtain dividends by investing in financial instruments such as stocks. The family sector is

Active investment in the capital market can increase the proportion of property income, which is mainly affected by the interest rates of banks and other financial institutions and the return on investment in the capital market. When the rate of return is high, it will attract families to directly invest in the capital market by buying financial products such as stocks; When the rate of return is low, financial intermediaries absorb the funds of the household sector for centralized investment and obtain income. By comparing interest rates and yields, households invest their income in the lending market and the capital market respectively to trade financial products, thus reducing industrial investment and deepening the financialization of the household sector.

The internal cause of non-financial enterprises' tendency to financialization is mainly manifested in the difference in the pursuit of long-term and short-term profits. Shareholders' goal is to maximize the short-term profits of enterprises. Management chooses investment methods that are beneficial to shareholders' profits in pursuit of high wages and equity incentives. When the profit rate drops, the management will reduce the investment in production and operation and increase the investment in financialization to obtain short-term investment income. Sales profit statistics show that the profit level of construction industry is the lowest and dropped from 8. 8% in 2000 to 5. 6% in 2015. The profit rate of real estate industry dropped from 17. 5% in 2000 to 15% in 2014.

The profit rate of other industries is in a downward trend. Among them, the profit rate of real estate industry is higher than that of industry and construction industry, which is still attractive to investors. The decline in profit margins has dampened the enthusiasm of real enterprises in production. Surplus funds have been put into the financial market for profit. The disharmony between real economy and financial development has become increasingly obvious. Because it is difficult to realize the average profit rate of the economic system in a short time, a large amount of funds flow from the actual production sector to the financial sector, thus accelerating the financialization process of the economic system.

From the perspective of external economic environment, solving the problem of financing difficulties of enterprises also promotes the innovation of new financial institutions and accelerates financial opening, which leads to the deepening of financialization. When the direct or indirect financing cost of enterprises is high or fails to meet the financing conditions, they will turn to other platforms to obtain financial support, which will promote the rapid development of new financing methods such as private lending, shadow banking and Internet finance in disguise. The emergence of online and offline financing platforms will increase the difficulty of supervision and pose a potential threat to financial stability. Based on a correct understanding of the problems existing in the financial system, China has achieved the goal of introducing foreign capital in the financial field through financial opening, which has expanded the source of investment funds to the global financial market. At present, China's promotion of the reform and opening up of the financial industry means that the banking, securities, insurance and other industries are fully open to foreign investment, accompanied by the improvement of the service quality of the financial industry and the deepening of the financialization of various departments. The emergence of online and offline financing platforms will increase the difficulty of supervision and pose a potential threat to financial stability. China is trying to attract capital from global financial markets through financial opening and further expand the scope of financing. This means that banking, securities, insurance and other industries are fully open to foreign investment, and the degree of financialization of various departments is deepened while improving the service quality of the financial industry. At the same time, compared with the opening of other industries, financial opening has more risks and uncertainties, and its impact on the stability of the economic system is still worthy of attention.

Third, the measurement and correlation between financialization and the development degree of the real economy

(1) Financialization and Measurement of the Development Degree of the Real Economy

1. Variable selection and data processing. Different from the previous research methods such as empirical assignment and static weight, the dynamic weight given to the index when constructing the comprehensive index of financial situation index in this paper can not only reflect the difference of the influence degree of different sub-indicators, but also express the external impact of the index

Time variability of shock response. For example, Goodhart & Hofmann

(2001) [17] was the first to use the impulse response results of VAR model to calculate the FCI of G7 countries. The application of VAR model is limited by the inability to identify the current relationship between variables. SVAR model improves the model by imposing constraints Type, then applied. The TVP-VAR model, which is propose recently, further allows both that coefficient matrix to be estimate and the variance of the disturbance term to be time-varying

Characteristic, the corresponding parameter estimation can be obtained by Markov chain Monte Carlo simulation method, and the impulse response results of unit shock between variables can be obtained. Nakajima et al. (2011) [18] further generalizes the TVP-VAR model to multivariate cases, and gives methods and cases for parameter estimation. Deng Chuang et al. (2016) [1 9] took the lead in introducing in China

The TVP-VAR model is used to construct the financial condition index, and the dynamic weight of each index is calculated by using the impulse response results accumulated for 30 periods, and the basic work is done. The research results show that improving the static weight can better reflect the difference of the influence degree of financial variables on the target variables at different time points. The specific calculation method is as follows,

The index is obtained by summarizing the stock transaction amount, futures transaction amount, 7-day interbank lending transaction amount and the balance of bonds to be repurchased; The turnover of real estate is converted into the current value and summarized from the cumulative value of sales of residential buildings, office buildings, commercial premises and commercial housing of real estate development enterprises. The above index data are all derived from Wind database. All variables are inflated by CPI data based on 1999. The data entering the model analysis are logarithmic, seasonal adjustment and H-P filtering to obtain the gap value of each variable. TVP-VAR model is based on the extension of SVAR model, which also requires each index to be a stationary variable.

2. Analysis of empirical results. The results of ADF test show that all variables are stable, so it can be used for data analysis and model construction. The information criterion of multivariate VAR model determines that the optimal lag order is 1. Through MCMC simulation for 10000 times, the statistics of each parameter estimation can be output, in which the posterior mean of the parameters is within 95% confidence interval, and the standard deviation is small. The convergence diagnosis results of CD statistics can not reject the original hypothesis of convergence to posterior distribution. The invalidity factor is used to judge the validity of sampling, and the maximum value of the invalidity factor of the financialization index system isenough to ensure the accuracy of the estimation. These results show that weight calculation is carried out based on Bayesian estimation.

Table 1 Estimation Results of Financialization Indicators

Parameters	Mean value	Standard deviation	95% confidence interval	CD statistic	Invalid factor
() 1	0.0232	0.0027	[0.0187, 0.0292]	0.334	12.31
() 2	0.0229	0.0026	[0.0185, 0.0289]	0.648	13. 29
() 1	0.0558	0.0146	[0.0353, 0.0918]	0.120	50. 59
() 2	0.0468	0.0098	[0.0320, 0.0698]	0.368	30. 67
(h) 1	0.4099	0.0887	[0.2640, 0.6125]	0.088	58. 08
(h) 2	0.4934	0.0964	[0.3274, 0.7047]	0.001	39. 63

Note: The sum a is magnified by 100 times

Data Source: OxMetrics 6.0 Calculation Results

The weight of each component of financialization shows obvious time-varying, among which the weight of money supply is obviously higher than other indicators. Therefore, the monetary authorities implement loose monetary policy to stimulate the economy and provide financial support for enterprises and households to invest, which is the decisive component affecting the degree of financialization. In 2003-2007 and 2012-2018, the money supply showed

Now it is on the rise, and the loan balance of financial institutions in the same interval is on the decline. The increase of money supply in the whole market is accompanied by the decrease of loans to financial institutions, thus reaching a new equilibrium level. Apply formula (2) to give corresponding weights to the gap value of each sub-index to obtain a comprehensive index (FI), which can more accurately reflect the dynamic evolution trend of financialization development.

The real economy development degree (RGDP) is the result of excluding the output value of financial industry and real estate industry from GDP statistics (Li Qiang et al., 2013) [20]. The real estate industry has complex attributes such as housing, security and finance. However, the excessive investment in the real estate industry by various departments in China has led to price increases and overstock of inventory, and speculative purchases have been far away from housing

Production is used for the basic attribute of residence, so scholars exclude it from the real economy calculation.

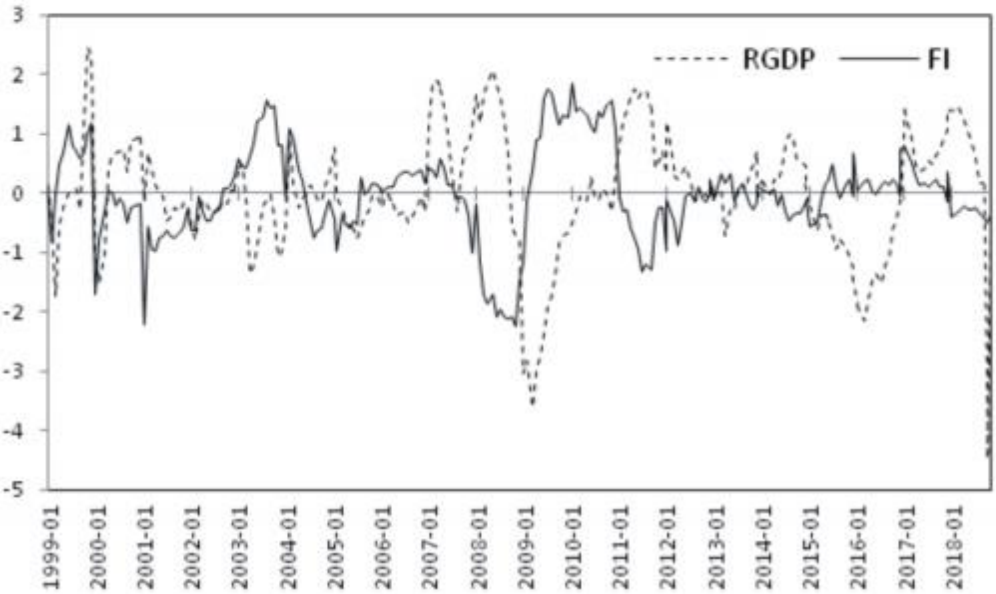

Figure 3 Trend chart of financialization and real economy development indicators

Data Source: Wind Database

Figure 3 shows the changing trend of China's financialization and real economy development indicators. The Southeast Asian financial crisis, which originated in Thailand in 1997, lasted until 1999, which had a great impact on the stock market and futures market.

Resulting in a low level of financialization at the beginning of 1999. The real estate market and the stock market continue to be depressed, and the decline in financialization reduces the crowding-out effect on real investment, and promotes investment to flow to the real sector, thus stimulating

Economic growth. After China's entry into WTO, the scale of bank credit and trade increased significantly, and the level of financialization improved significantly. Subsequently, macro-control caused a large fluctuation in the level of financialization. In 2005, the stock price rise and the expansion of the real estate market caused the level of financialization to begin to rise. Affected by the "subprime mortgage" crisis, China's financialization began to show a downward trend in early 2007 until it reached its lowest point in the middle of 2008. The investment risk in the financial market suddenly increased, and the scale of the real economy continued to increase until the beginning of 2008

Began to fall sharply. Obviously, the negative impact of the "subprime mortgage" crisis lies in gold

The financial sector shows the characteristics of rapid spread and great influence, and there is a certain degree of time lag effect on the impact of the development of the real economy. In order to effectively cope with the adverse effects of the financial crisis, reverse the downward trend of the economy and promote economic recovery, the government increased investment and issued a series of expansionary economic policies. From 2009 to 2011, the financial market experienced a rapid retaliatory rebound after absorbing investment, while the recovery process of the real economy was relatively long, and the effects of policies needed to be digested for a long time. After 2011, the dual effects of the weakening of investment stimulus and the debt crisis have significantly reduced the financialization index. From 2012 to 2016, after experiencing the impact of the crisis, the economy has been in a new normal stage of slow recovery. The financial management department carried out risk prevention and supervision on the financial market. Subsequently, the fluctuation range of the two indicators decreased significantly and showed a trend of development. After determining the task of "three to one, one reduction and one supplement", in 2016, the manufacturing capacity was reduced and low-profit enterprises were forcibly eliminated, and the real economic indicators dropped significantly. With the advancement of supply-side reform, the state has launched a series of plans to simplify administration, decentralize power and reduce taxes in due course, which has reduced the burden on enterprises to a considerable extent. After 2017, the development speed of the real economy has obviously stabilized, and there are signs of recovery in growth rate. Reduce real estate inventory and control at the same time in the process of policy implementation.

The leverage level of enterprises makes the development of financialization show a downward trend. Based on the changing trend of indicators, the process of financialization and real economy development in China can be clearly defined, and it is found that the financial environment and policy intervention have obvious effects. The government achieves the purpose of promoting the development and upgrading of the financial market by improving policies and supervision, and then can better serve the development of the real economy

Ex

(2) Research on the Correlation between Financialization and Real Economy Indicators

According to the trend of index changes, this paper divides the whole sample interval into three stages for analysis with 2005 and 2011 as nodes respectively. The first stage: from 1999 to 2005, FI and RGDP developed synchronously and had the same changing trend. At the beginning of the development of the financial market, the degree of financialization was relatively low, the development of the real economy was dominant, and the change of FI was about 2 months before the RG-DP index. The second stage: from 2006 to 2011, the financial development was affected by changes in market size and the impact of external crises; The fluctuation was significantly earlier than the real economic development index, and the leading range was expanded to about 5 months compared with the first stage; The third stage: the fluctuation range of FI and RGDP indicators from 2012 to 2018 is relatively small, and the prediction effect of policy intervention on FI indicators in this stage is not obvious. In fact, the correlation coefficient level between the two in the third stage is relatively low, indicating that when the FI index changes, the real economy shows relative stability. As shown in the figure, the intertemporal correlation results of the second and third stages and the total sample interval are consistent, all negative in the first three stages and then positive. The intertemporal correlation of FI to RGDP reaches the maximum value in the 11th, 15th and 11th stages respectively. Therefore, the prediction effect of FI on RGDP is obvious in the stage of crisis impact and economic recovery, and policy intervention has an impact on the change of indicators, thus reducing the prediction effect.

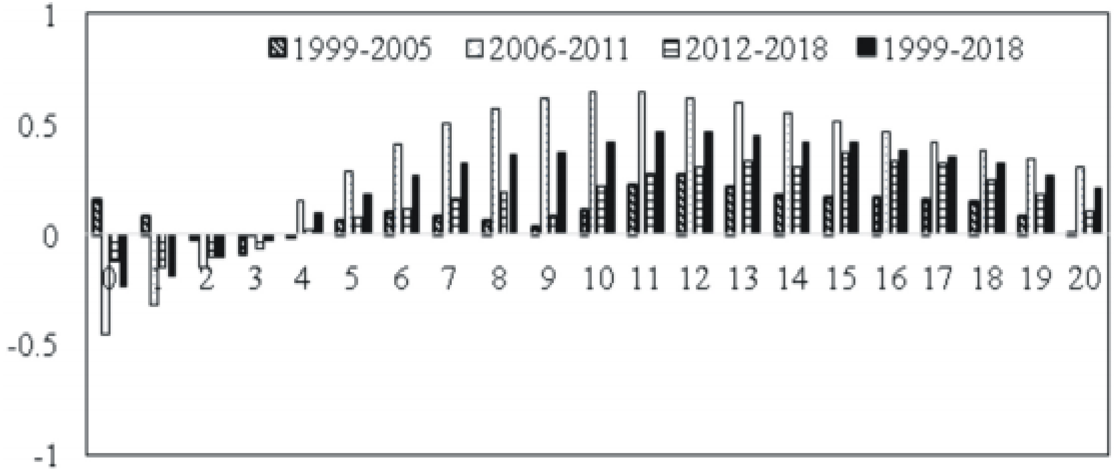

Figure 4 Intertemporal Correlation between Financialization and Real Economy Development Indicators

3. Conclusions and Relevant Policy Suggestions

(1) Main conclusions

This paper analyzes the transmission mechanism of financialization among financial sector, government, family and non-financial enterprises, and analyzes the reasons why economic development tends to be financialized by combining Marx's virtual capital theory. By selecting representative finance,

3. Prudently push forward the reform and opening up of the financial industry and improve the development of the financial system. In order to help the transformation and upgrading of real economy enterprises, it is necessary to further relax the financial market access conditions and develop financial institutions and tools conducive to the innovation of real enterprises. Squeeze out the bubble formed by the development and expansion of the financial market, and urge the financial industry to play the function of accurately serving the real economy. Current

The indexes of insurance and real estate markets use TVP-VAR model to determine the dynamic weight of each sub-index to measure the degree of financialization development. According to the index trend chart, the total sample interval is divided into stages. The study finds that the range of financialization index leading entity index is expanded from about 2 months to about 5 months, which shows that financialization index has a predictive effect on the development of real economy. The impulse response results show that the impact of financialization on the development of real economy is asymmetric. Through Lasso regression analysis of the factors affecting the development of the real economy, the results show that increasing direct financing support to enterprises through financial markets such as stocks has obvious effects, increasing moderate investment in fixed assets and raising interest rates are conducive to promoting the development of the real economy, and the government should reduce the issuance of bonds to reduce the crowding of investment in the real sector. The influence of economic financialization has changed from the inhibition in the first stage to the promotion in the second stage, which shows that the relevant policies of financial support for the development of the real economy implemented in China have achieved results, but the inhibition is in the whole sample

Interval dominates, and financialization still plays an obstacle role.

(2) Policy recommendations

1. Effectively implement supply-side reforms to serve the development of the real economy. Private enterprises and small and medium-sized enterprises are the majority of entity enterprises. At present, China's supply-side reform of the financial industry has created a good financing environment for entity enterprises. Promoting financial opening will be accompanied by relaxing the access conditions of stocks, bonds and other markets, which is beneficial for enterprises to carry out direct financing. "Cost reduction" is also the goal of implementing supply-side reform, which can reduce production costs by encouraging enterprises to improve productivity and reduce factor input, carry out institutional reform to reduce transaction costs of enterprises, and provide financial support for enterprises by the government and increase tax incentives to reduce tax costs of enterprises. The effect of cost reduction is mainly reflected in traditional entity enterprises such as manufacturing and construction, effectively relieving tax pressure and increasing capital accumulation, thus expanding the competitive advantage of enterprises.

2. Adjust the financial credit system and standardize private lending. At present, the tightening of China's credit policy is accompanied by the reduction of the supply of credit funds, and enterprises have to turn to private lending with lack of supervision and high risks to obtain financing. The regulatory authorities can set up financial organizations in different regions to supervise private lending behavior and standardize the development of private investment and financing. From the perspective of both borrowers and lenders, enterprises realize the risks of lending through financial platforms such as shadow banking and private lending, and should make full use of standardized financing channels to obtain financial support; Banks and other financial institutions should strengthen the supervision of capital accounts, strengthen the prevention of financial risks, prevent the occurrence of credit crisis, and pay attention to the matching of capital needs of entity enterprises with effective financing methods, so as to improve the accuracy of capital support.

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