

## Exploring the Relationship between Financial Development and Economic Growth

Kexin Xue<sup>1</sup>, Zhiyang Xu<sup>2</sup>, Siyu Feng<sup>3</sup>, Chengjun Shan<sup>2</sup>, Zenan Zhang<sup>1</sup>

<sup>1</sup>School of Statistics and Applied Mathematics, Anhui University of Finance and Economics, Bengbu, China

<sup>2</sup>School of International Economics and Trade, Anhui University of Finance and Economics, Bengbu, China

<sup>3</sup>School of Finance, Anhui University of Finance and Economics, Bengbu, China

### Abstract

**With the continuous improvement of the development level of China's financial industry, more and more people begin to invest in the financial field. In the process of rapid development of the country, financial growth can effectively improve the level of the national currency market, and economic growth can enhance the overall strength of the country, improve people's living conditions and material security. There is a relationship between financial development and economic growth. Finance helps to improve the level and speed of economic growth. This paper will analyze the relationship between financial development and economic growth and put forward relevant suggestions.**

### Keywords

**Financial Development; Economic Growth; Growth Factors.**

### 1. Introduction

According to the statistics of China's financial data, the total assets of China's financial institutions are about 360 trillion US dollars. This means that China's financial market is relatively stable and developing well. However, with the opening and development of the financial sector, some financial problems have emerged. For example, the financial sector lacks innovation ability. The financial market has only one product, and there is no new technology to improve the financial products, which ultimately slows down and reverses the development of the entire financial market. At present, the scale of traditional financial products is relatively small and limited, so the main features of financial products cannot be distinguished. At this stage, innovative financing is needed. The emergence of innovative finance has brought new innovative financial products and greater market advantages. For many people who make other investments with low income, they also have demand for financial products and purchase opportunities. But today, traditional financial markets often ignore their interests. But these people occupy many positions in the market. The new financial products cover almost the entire financial market, and everyone has the right to buy them. With the expansion of the market, large financial products can help enterprises reinvest in the financial market and increase capital to reduce additional restrictions.

## **2. Analyze the Relationship between Financial Development and Economic Growth**

### **2.1. The Sustainable Development of the Financial Industry Can Stimulate China's Economic Growth**

In the process of China's economic development, banking, trust, securities, insurance and leasing are financial industries and play an important role in China's tertiary industry. In the past decade, China's financial industry has developed rapidly, including financial institutions, RMB credit funds, foreign exchange reserves, the level of social financing, the number of listed companies and stocks, insurance institutions and related companies. He has made great contributions to the country's economic growth and development.

### **2.2. Adapting the Financial System to the Needs of Social Division of Labor and Mass Production**

Economic development is inseparable from social division of labor and large-scale production. The financial system itself perfectly combines the functions of financing and risk sharing. At the same time, the economic growth of some countries, especially those in sub Saharan Africa, remains strong, while that of other countries, especially those in northern Africa, remains strong. In addition, the mechanism allows financial institutions to review the company's credit status, establish a more effective disclosure mechanism, and reduce market risk. At the same time, the expansion of social division of labor and market scale has intensified the competition among enterprises, and brought some hidden and unpredictable risks. Many companies face problems such as debt risk management, which will lead to waste of funds. This leads to a shortage of funds and increased business risk. For example, listed companies have made significant contributions to reducing insufficient capital inflows by increasing their share issuance accordingly.

### **2.3. Improve the Liquidity and Solvency of the Financial System and Promote the Healthy Growth of China's Economy**

Economic development is inseparable from the management and distribution of funds. The financial system has a payment and settlement system that combines technology transfer and transfer systems. Its stability is an important guarantee for sustainable economic development. With the advent of the online payment era, the emergence of relevant non bank payment and payment institutions focusing on payment and micro credit costs has increased the risk of relevant payment and payment, and increased the possibility of easy payment for enterprises and citizens. This may encourage illegal activities such as money laundering, misappropriation of public funds, fraud and illegal exploitation. Therefore, only by improving the national legislation on financial market accounting and payment, improving the entry and exit mechanism of the payment sector, and eliminating the defects of market supervision, can the digital economy promote a safer economic development of a country.

## **3. Factors Affecting Financial Development and Economic Growth**

### **3.1. Chinese Investment and Financial Consciousness**

Investment and employees' financial awareness are very important for financial development and economic growth. First of all, the development of the financial sector is closely related to the financial consciousness of our people. The focus of the financial sector is investment management, but it is necessary to diversify investment management products in the market, strengthen the participation of citizens in capital management, so that they can obtain a certain amount of income when there is investment income. Unused funds can be invested in relevant

financial products, but the ability to obtain income exceeding the bank deposit interest rate over the same period will continue to attract more investors. Many people invest in purchasing and managing goods and services through banks and other channels, and banks and other institutions use these funds for various investment projects to promote the modernization and economic growth of the country.

### **3.2. Population Education Level**

The improvement of education level has, to some extent, improved family economic benefits, improved family welfare, increased citizens' risk exposure, and enabled them to actively participate in investment. The demand for high-quality experts is increasing in modern society. Under the basic labor distribution system, the higher the level of industrial technology, the higher the labor income. Consider allocating more resources only when people have a certain income level and usually have enough resources to meet their daily needs. At the same time, improving investment professional skills and investors' understanding of risks can improve investors' understanding of risks, correctly evaluate their tolerance, and better handle investment risks. Improve the rate of return on investment and promote steady and healthy economic development.

### **3.3. World Financial and Economic Conditions**

Our financial development and economic environment are closely linked with the world. If the international trade policy changes, the international financial market and economy will change, which will affect China's international trade. As an important country of China's import and export commodities. This will reduce or increase the demand for imports and exports. The impact on our economy and financial markets.

## **4. Financial Development and Economic Growth Strategy**

### **4.1. Lecture on Investment Management of Community Organizations**

Since people's financial management consciousness is closely related to financial development and economic growth, the government should hold lectures on social investment management. Therefore, when people choose management products, they must choose the best form of investment and financial management according to their ability. The government should help people to be vigilant while maintaining market order to reduce the risk of fraud. In this regard, the government can provide free or visit a series of meetings on local government investment management. The government can provide experts to the public and disseminate knowledge about investment and financial management.

### **4.2. Continuing Culture and Political Education**

Developing the cultural construction of our people is one of the main tasks of the government. Over the past 10 years, with the active cooperation of the government and the people, the cultural quality and policy quality of our people have been greatly improved. The cultural level of our people has been greatly improved. Culture and culture develop over time, and we must continue to build culture. Because China's urban and rural education level is still lower than the national development level. First of all, help students form financial thoughts by understanding the financial theories of primary and secondary schools. First of all, we should give students basic knowledge and stimulate their interest in finance and economy. We should look at problems internationally and respond to the current situation with scientific thinking.

### **4.3. Monitoring and Analysis of Global Financial and Economic Markets**

The international financial market, including the economies and financial markets around the world, has a tremendous impact on the financial and economic markets. International loans.

This requires governments to control the dynamics of international financial and economic markets, reduce the negative impact of domestic economic markets on international markets, and manage and support market macro-economy. China seeks economic growth and new development opportunities.

## 5. Conclusion

Economic development is an important prerequisite for promoting the growth of national power. As long as citizens fully understand their investment, they can create a domestic financial environment and improve the vitality of financial resources for economic development. Financial development plays an important role in promoting economic development. With the development of China's financial industry, we must strengthen the education level of residents and the construction of the financial system. Only by establishing a financial system and improving the quality of the economy can sustainable economic growth be met.

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