

Empirical Research on Financial Support for the Development of New Consumption Sectors—Evidence from Emeishan city

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Abstract

In recent years, with the new changes in consumers' needs and behaviors, new consumption fields have emerged. Taking Emeishan City as an example, this paper mainly discusses the possible ways for the financial industry to support the development of new consumption fields. First of all, this paper sorts out the relevant theories in the field of financial support for consumption. Then, after analyzing the current situation of Emeishan City's financial support for the development of new consumption areas, we explore new ways of financial support for new consumption areas, and put forward specific solutions to the existing problems.

Keywords

Financial Support, New Consumption Sector, Emeishan City.

1. Relevant Theories and Development Status of Financial Support for Consumption

1.1. Relevant Research on Financial Support for Consumption

Samuelson (1969) first proposed the formal concept of Consumer Finance, which argues that in a complex and volatile financial environment, consumers can satisfy their own by rationally using their existing assets and future assets, so as to achieve the purpose of maximizing their own utility[1]. Yang Yanpeng (2011) believes that consumer finance refers to financial services with loans, savings, payment and settlement functions to meet the consumption needs of individuals or households for final goods and services[2].

The emergence of consumer finance can be traced back to Keynes's consumption theory. Keynes (1936) proposes a law of diminishing marginal propensity to consume, pointing out that consumption will increase with the increase of income, but the increase of consumption will be less than the increase of income [3]. Friedman (1957) questions Keynes's theory of consumption and proposed Permanent Income Hypothesis, which argues that when people plan their own consumption levels, they rely on the level of income they can maintain in the long run, instead of short-term actual income [4]. The theory also points out that some low-income people, or people whose income levels temporarily decline due to the economic downturn, have to use past savings in order to maintain a high level of consumption. While for those with no savings or insufficient savings, it is necessary for them to use future income for "debt" consumption. Thus, this creates a market space for financial institutions to carry out consumer credit business.

With regard to the role of consumer finance in economic growth, domestic and foreign scholars have conducted a large number of empirical studies. For example, Ryan (2010), through a study

of the economic data of the United States since 1990, finds that the income level of residents has been flat and the consumption has increased by a large margin, which is higher than the original one-third. Therefore, he concludes that the growth of the US economy between 1990 and 2000 benefited from an increase in consumer credit, rather than the effect of national income growth as generally understood. Xu Luode (2013) combines with the domestic economic transformation, the status quo of structural adjustment, and international development experience, and proposes that consumer finance can drive production capacity and have a positive effect on economic growth [5]. Ding Ning (2014) uses the impulse response function to analyze the specific effects of consumer credit on economic growth. And the conclusion shows that there is a long-term stable equilibrium relationship between the two [6]. In the study of the influencing factors of consumer finance development, Kartik Athreya (2008) believes that the market behavior of consumer credit is not only affected by residents' consumption and savings decisions, but also by the social labor structure [7]. Moreover, the social labor structure and the fairness of income distribution will affect the development of consumer credit channels. Kartik (2007) believes that external environmental factors are the main influencing factors, and advocates that the state should vigorously improve the macro financial environment and deregulate [8]. He Zhenhua (2015) finds that China's financial industry is developing rapidly, consumer groups are expanding, and financial products are becoming more complex. Due to the lack of long-term financial education in China, the concept of financial consumers is relatively old, and consumers' risk awareness is relatively weak [9]. Therefore, he proposes relevant suggestions for strengthening financial consumer education.

1.2. The Development Status of Financial Support on Consumption Field in China

Banks in China opened a durable consumer goods loan business around 1987. Since then, the prelude to consumer finance has been kicked off, and consumer finance has begun to develop rapidly. From the current development status, the characteristics are mainly presented as follows:

- (1) The consumer financial institution system constantly improves. The institutions engaged in consumer finance business in the domestic market can be divided into three categories: the first category is the traditional consumer financial service organization represented by commercial banks; the second category is the consumer finance company with legal licenses approved by the China Banking Regulatory Commission; the third category is the consumer finance company engaged in homogeneous business based on Internet platforms such as e-commerce and P2P.
- (2) Consumer finance products and services are diversified and personalized. The types of consumer financial products in China are becoming more and more abundant. In addition to the large-scale consumer credit in the traditional sense, such as medical loans, personal housing mortgage loans, auto mortgage loans, student loans, etc., there are emerging small-scale consumer credit products in recent years, such as Jingdong white strips, sesame flower buds, staging, micro-credit, and so on[10].
- (3) Methods of consumer financial payment continue to innovate. With the progress and development of information technology, consumer finance has become increasingly internet-oriented. First, traditional payment instruments based on electronic payment platforms continue to grow, such as debit cards and credit cards; Second, third-party payment institutions provide many financial services necessary for daily life, including online payment, consumer repayment, mobile phone recharge, and public utility payment.

1.3. Shortcomings of financial Support for the Development of New Consumption Areas

The new consumption sector mainly includes service consumption, information consumption, green consumption, fashion consumption, quality consumption, rural consumption and so on. Although the financial institutions, financial products and payment methods in consumption sector supported by finance have undergone major change, the main way for finance sector to support the consumer sector is to provide a variety of loan services to under-funded consumers to meet their consumption needs. The focus of financial support for consumption is still limited to the demand side, while support for the supply side and the entire consumption environment is relatively lacking. The breadth and depth of financial support for the consumer sector still needs to be further expanded. The financial support for the demand side of the consumer sector can only guarantee that consumers have money to consume; while supporting supply side is to ensure that there are consumer products available, and supporting the consumption environment is to ensure that consumption can be assured.

2. A New Exploration of the Financial Support for the Development of New Consumption in Emeishan City

In 2017, Emeishan City was identified by the Chengdu Branch of the People's Bank of China as a pilot city for financial support for the development of new consumption. Many new explorations have been made on the development of financial support for new consumption areas, which are reflected in the following aspects:

2.1. Exploring the New Financial Support Mechanism for Interaction Between Government and Industry

Financial support for the development of new consumption areas requires a corresponding mechanism to protect. In the process of financial support for the development of new consumption in Emeishan City, a new financial support mechanism with government guidance, market leadership, and interaction between government and industry has been established. First, we could explore the establishment of a leadership implementation mechanism covering the city and county levels. Through the reporting and communication with the municipal and county governments, and jointly convening a work promotion meeting, the pilot work leading mechanism of the Leshan Municipal Government, the Leshan Branch of the People's Bank of China, and the Emeishan Municipal Government will be initially constructed. At the same time, the pilot implementation mechanism for the pilot work of the People's Bank, relevant functional departments and financial institutions in the pilot area will also be constructed. Secondly, explore the establishment of a normalized project introduction and docking mechanism. Under the leadership of Emeishan City Finance Office, the project information in the new consumption areas grasped by the departments of development and reform, commerce, tourism, agriculture and poverty alleviation is collected and introduced to the financial system. The Emeishan Branch of the People's Bank of China organizes financial institutions to dock actively, and regularly conducts bank-enterprise financing docking activities.

2.2. Exploring A New Model of Financial Support Driven by Supply and Demand

Emeishan City implements a financial support model driven by supply and demand around the key areas of tourism and leisure, cultural education, healthy pension, and rural consumption. At the demand side, a total of 100 million yuan of consumer loans were issued to meet consumer demand for various consumer goods. On the supply side, around the tourism and leisure industry, Emeishan Rural Commercial Bank has awarded 200 million yuan for the construction of the Emeishan International Tourism Resort, which is based on family vacations and integrates cultural tourism, ecological display, sports and leisure.

Focusing on the construction of large-scale and high-end tourist hotels, Emeishan City mainly supported Huasheng Hotel, Crescent Garden Hotel, Emeishan Jinlin Hotel, Qiliping Resort Hotel, Sichuan Emeishan Xinyuan Hot Spring Development Co., Ltd. Focusing on tourism and leisure projects, and creating a “farm and lodging” model with Emei characteristics, it has issued a total of 120 million yuan to support more than 460 farmers to run farmhouses. In response to the development of sightseeing agriculture, rural leisure tourism and rural consumption, the Agricultural Bank of China has launched the “Xianshan You Farm Loan” and “Ming Cha Xiang Loan” credit products.

It innovated the loan products pledged by the operating right of scenic spots, and supported the development of tourism farmhouses in Emei Mountain Scenic Area. By November 2017, 87 tourist merchants have been supported in Emei Mountain scenic spot, and 36.54 million yuan of “Emei Commercial Loan” has been granted. Around healthy pension consumption, a total of 87 million yuan of loans were issued to support the development of private hospitals such as Emei East Hospital, Foguang Hospital and Gao Lin Hospital; Around the consumption of education and culture, a total of 49 million yuan of loans have been provided to support the Sichuan Boruite Foreign Language School, which aims to make high school education an education brand in Emeishan City; More than 20 million yuan of loans were used to support 8 private kindergartens such as the Emeishan Yuanda Experimental Kindergarten to meet the needs of children entering the park. Financial support for consumer product supply and consumer purchases not only allows consumers to spend money, but also allows consumers to have a variety of personalized products to consume.

2.3. Exploring A New Way for Financial Support to Optimize the Consumption Environment

Focusing on areas such as consumer basic infrastructure and financial basic infrastructure, Emeishan City continues to explore new ways to support the optimization of the financial environment. By optimizing the consumption environment and attracting consumption, consumers can be assured of consumption as well as comfortable consumption. For example, Industrial and Commercial Bank of China fully supports the construction of tourism and public welfare infrastructure: First, it has newly invested 300 million yuan in project loans to the Emeishan Leshan Giant Buddha Tourism Group Corporation in Sichuan Province; Second, it provided a working capital loan of 50 million yuan to Emeishan Tourism Development Co., Ltd. The loans mentioned above are concentrated in the construction of tourist facilities, the construction of tourist road infrastructure, and the construction of tourist and sightseeing facilities; After the loan was put into operation, the tourism and leisure facilities of Emeishan City were greatly improved, and the tourism reception capacity and external image of Emeishan City were improved, which was in line with the development direction of “Emeishan City is a prosperous tourist city and a strong tourist city”.

In the field of financial basic infrastructure, the ATMs, POS machines and QR code scanning and payment arrangements for catering and accommodation, travel agencies and other consumer places will be increased, and tourism consumption and financial services will be effectively integrated to facilitate the payment of tourists easily. The completion of the system docking of ICBC e-commerce platform and the Emeishan Tourism Company's Shitu website, promotes the online sales of scenic spots tickets, ropeway tickets, tickets and hot spring tickets, and accumulates online sales of more than one million yuan.

2.4. Innovating New Consumption Products Supported By Finance

In the new consumption areas of tourism, pension, culture, and so on, we should optimize the credit management model, accelerate the innovation of consumer credit products, promote land transfer income guarantee loans, implement the “Accounts Receivable Ganquan Financing Plan”, and actively explore and develop loans pledged by scenic spot management rights, ticket

revenue rights, land use rights, forest rights and other rights, and develop more credit products to meet new consumer demand.

In response to the capital needs of infrastructure construction in the new consumer sector, the medium and long-term fixed-asset loans, syndicated loans, inter-bank market financing and other ways will be used to solve the funding needs. For enterprises in the new consumer sector, we will focus on exploring the scope of collateral and pledged goods, and obtain credit support through management rights, charging rights, and patent and trademark mortgages.

In response to the financial needs of individual consumers, we will further improve retail financial services, expand the coverage of consumer loans, and increase the convenience of loan applications. In response to the rural consumer market, we will develop matching financial products around the newly emerging consumer demand for commercial housing purchases, electronic product purchases, tourism and so on.

3. Effectiveness and Problems of Emeishan City's Financial Support for the Development of New Consumption Areas

3.1. Main Results of Emeishan City's Financial Support for the Development of New Consumption Areas

Since carrying out the pilot work, Emeishan City has achieved remarkable results in financial support for the development of new consumption areas. Up to now, 90 companies have entered the list of financing and fostering enterprises in the new consumer sector, and signed financing credit and loan agreements with various banking institutions amounting to 32.19 billion yuan. Another security company, an insurance company and a guarantee company are actively participating. The financial support mechanism has been further improved, financial products and services have been continuously innovated, and financial support for the new consumer sector has effectively promoted the consumer industry and economic development of Emeishan City. This is mainly reflected in the following aspects:

First, it has effectively promoted local consumption growth. In 2016, the city's total retail sales of consumer goods reached 11.99 billion yuan, realizing an increase of 13.5%; As of November 2017, the total retail sales of consumer goods in the city reached 12.427 billion yuan, which sees an increase of 13.6%.

Second, through the improvement of the consumption environment and the optimization of the consumption supply, foreign residents are promoted to consume locally. In terms of tourism consumption, in 2016, 12.03 million tourists were received, and the comprehensive tourism income was 20.54 billion yuan, which increased by 10.5% and 24.5% respectively. As of September 2017, the total tourism revenue has reached 20.772 billion yuan, a year-on-year increase of 25.6%.

Third, through the support of finance for the development of new consumption sectors, the tertiary industry has flourished and the city's economic structure has been continuously optimized. In 2016, the proportion of primary, secondary and tertiary industries in GDP was 7.5:49.7:42.8, respectively. And the proportion of added value of tertiary industry in GDP increased by 6.8 percentage points in 2015.

3.2. Existing Problems of Emeishan City's Financial Support for the Development of New Consumption Areas

Emeishan City's financial support for the development of new consumption areas is still in the pilot and initial stage. The main problems are as follows:

First, the financial organization system is not perfect. The financial institutions participating in the pilot are relatively single, mainly based on banks, and financial institutions such as securities and insurance companies still lack substantial participation. The progress of the

project is also extremely uneven in the banking institutions that participate in financial support. Some projects have completed credit, and some are still in the early stages of negotiation.

Second, the financial support sector needs to be expanded. The current financial support sector is mainly concentrated in tourism and leisure and various basic infrastructure areas. Support for the health care industry, Internet + industry and rural consumer consumption industry is still insufficient. Moreover, in the field of tourism and leisure, infrastructure loans are mainly used, and the support for tourism product development and innovation projects is relatively weak.

Third, the support method is still not perfect. Since the current financial support institutions are mainly bank-based, the financial support methods are mainly in the form of loans. Although there is a small amount of bond financing, the overall financing method is relatively simple.

4. Measures to Deepen Financial Support for New Consumption Areas Under the New Situation

4.1. Improve the Organizational System of Financial Support

It is necessary to further strengthen the bank's financial support subject status, and actively guide various banking institutions to innovate financial products and services, and increase financial support. At the same time, it is necessary to appropriately introduce consumer credit companies, securities companies, venture capital funds, insurance companies and other institutions to participate in the pilot project of financial support for new consumption in Emeishan City. On top of that, we should encourage domestic e-commerce platforms such as tourism and consumer retail to provide financial support services for the consumption of tourism products in Emeishan City.

4.2. Improve the Professional Service Capabilities of Financial Institutions

Under the premise of strengthening supervision and risk control, it is good to promote conditional commercial banks to establish professional branches or special franchises in the new consumption field in Emeishan City. Focusing on the demand of consumer finance in the fields of tourism and leisure, health care, culture and education, and adapting to the characteristics of subdivision and individualization of consumer demand, we should develop characteristic financial services.

4.3. Expand Key Areas of Financial Support

In the future development, it is necessary to further explore projects to enhance the new consumption field in Emeishan City and stimulate demand for financial services in the new consumer sector. For example, around the health care industry, it is necessary to generate or introduce well-known health care enterprises at home and abroad, and at the same time, provide strong financial support for various types of health care project in the Emeishan; In tourism and leisure industry, we should introduce or generate new projects of tourism product innovation, and increase financial support for the development of tourism transformation and upgrading in Emeishan City. In the rural consumption sector, it is necessary to increase financial support for rural e-commerce logistics filed. In the field of green consumption, it is necessary to increase financial support for the production and management of organic green agricultural products in Emeishan City.

4.4. Explore A Variety of Financial Support Methods

In addition to traditional credit support, in the future development, we must actively introduce venture capital funds to invest in various consumer industry enterprises that are doing undertaking and innovative business in Emeishan City. We should also actively encourage new consumption enterprises in Emeishan City to go public on the New Third Board market, or issue

short-term bonds for direct financing. Securities companies conduct cash flow segmentation and pricing on asset pools, and issue ABS (asset-backed securitization) products to enhance the liquidity of consumer financial institutions. In the end, we should encourage all types of trust and investment companies to develop trust investment products for various projects in the development of consumer economy in Emeishan City.

4.5. Continuously Optimize the Financial Environment

A good financial ecological environment is the guarantee for the sustainable and healthy operation of financial support for the development of consumption sector. It is necessary to further promote the combination of credit and credit loans, and build a corporate credit information platform and a personal consumption credit information platform for new consumption fields such as tourism, pension and education. We should strengthen the publicity and education of credit investigation for enterprises and individual consumers in the field of consumption, improve their awareness of the method of entering risks, and improve the acceptance and handling mechanism of financial consumption disputes.

5. Conclusion

Through the analysis of the development of the new consumption field of financial support in Emeishan City, we found that significant results have been achieved. A number of companies have entered the list of financing companies in the new consumer sector and signed financing agreements with a number of financial institutions. However, at present, there are still some problems. For example, the financial organization system could become more perfect. And the financial institutions involved in the pilot projects are relatively single. Therefore, based on the existing problems, we propose corresponding solutions to further promote financial support for the development of new consumption area. For example, we could improve the institutional organization of financial support, or explore a variety of financial support methods.

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