

The Problems and Improving Approaches in the Construction of Financial Ecological Environment in Northeast China

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ABSTRACT

Finance is the core of modern economy and to a society functioning normally. The basic premise to making the financial sector play a positive role is a better financial ecological environment. Existing problems in the financial ecological environment in Northeast China are the main "bottleneck" which prevents this region from realizing its revitalization. Therefore the governance of financial ecological environment inside and out is the key step to develop regional financial industry and then achieve the economic revitalization finally.

1. INTRODUCTION

Since 1978, especially the implementation of the strategic decision "Revitalize the Old Industrial Base of the Northeast" proposed by China's central government in 2003 has been providing a favorable turning point for Northeast China which was confronted with great economic system adjustment, and prompts local economy developing towards market economy gradually.

However, as other regions in China spending a certain period of time to achieve success during the system reform and the overall economic development, the economic revitalization of Northeast China will also experience a certain time. This process can be short or long. Under the premise of without violation of economic laws, the key point to control time is to face and find optimal approach to solve the problems on our way forward development.

Therefore, the author believes that there exists many problems during Northeast China towards its economic revitalization, and whether financial industry could function well or not is the fatal link. The development and its speed of financial industry depend on the quality of financial ecological environment.

Based on the presentation of financial ecological environment, the existing problems in the construction of financial ecological environment in Northeast China will be analyzed in this paper, and then put forward some improving suggestions as well.

2. THE CONNOTATION OF FINANCIAL ECOLOGICAL ENVIRONMENT

Financial ecology, expanded from the British ecologist A.G. Tansley's ecosystem theory, mainly reflects the inherent logic, the development law and other synecology features, and the "order of

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structure" which has distinct structure and functional characteristics beginning to take shape in the economic activities of financial system. And financial ecological environment is a part of financial ecology.

Although domestic scholars have not yet given a consistent definition of financial ecological environment, the understandings are largely identical but with minor differences, and the connotation of it can be broad or narrow on the whole. That is, financial ecological environment includes cultural environment, economic environment, legal environment etc in a broad sense, and the social credit system, policy and legal environment etc in a narrow sense. Therefore, financial ecological environment means the environment, factors and the sum of which could exert influence on subsistence and development of finance subjects. It should generally include economic environment, policy and legal environment, credit environment, market environment and the environment formed by the main factors inner financial system.

The practical experience of economic development in advanced countries and that in China since 1978 shows that, the financial ecological environment is of fundamental, supportable, long-term and far-reaching significance to financial industry's existence and development. The quality of financial environment plays an important role in regional economy and social development. That is, a favorable financial ecological environment could provide for the financial sectors with enough funds, technology, information, institution, human resources, necessary terms of exchange, legal safeguard, references for honesty and other relevant services, thus promote to a healthy, orderly and effective development of financial industry; on the contrary, the inferior or imperfect financial environment will possibly induce the financial risks. As modern economy is the financial economy, it has become increasingly apparent that finance is the core of modern economy. Whether financial industry can be able to play its positive role in economic development entirely depends on the financial environment. As a result, if it is to say that finance is the "intermediate credit", "catalyst" or the important economic "levers" of national or regional economic and social development, the financial ecological environment should be a prerequisite for them. The development of national or regional economy lies in the development of financial industry, and the key to maintain a well-development financial industry is nothing but the favorable construction of financial ecological environment.

3. PROBLEMS OF FINANCIAL ECOLOGICAL ENVIRONMENT IN NORTHEAST CHINA

In China's vast territory, the remarkable imbalanced economic development among Eastern, Central, Western and Northeast china results in certain differences in the level of financial ecological environment among these regions. Compared to the other three parts, or for the support to local economic and social development which is promoted by its internal reform, coordination and integration, many problems of financial ecological environment in Northeast China come to light.

3.1 External environment of financial industry

According to the definition of financial ecological environment, external environment of financial industry mainly includes three elements: legal environment, local government and regional economic foundation.

3.1.1 Regional legal environment

China's Reform and Opening Up has been going on for 30 years, and the goal of which has always been moving towards the direction to establish the socialist market economic system during this 30 years, but the administrative power paramountcy, the replacement of power above law and the other similar behaviors which were prevalent in the planned economy period still can be seen everywhere, especially in Northeast China. Meanwhile, China's law is characteristic of its broad-brush outline, which tends to left lots of freedom in the law-executors' operations. To some extent, a great deal of phenomenon such as "non-observance of law, loose enforcement of law" appears in grass-roots areas due to this problem. Not only that, there still exist large number of legal vacancy or unprecise in the whole process of the financial operation, such as property rights, investment and withdrawal mechanism, innovation, integration, supervision, main business, self-regulation, bankruptcy protection and so on. At the grass-roots level, local regulations formulated to supplement the state laws or formulated according to regional features are still in great shortage, which is typical in Northeast China.

3.1.2 Local government

The thought of local governments in Northeast China is still conservative, and tends to seek quick benefits or success. As a result, these local governments can not quickly absorb new things, new institutions, new practices which always fail to be combined with regional conditions organically and effectively, or be short-sightedness, blindly pursue tasks been easily done, pursue political achievements, only for inauthentic image projects, and lack long-term, steady development, and other sense of responsibility for our people.

3.1.3 Regional economic foundation

Northeast China once was the heavy industry base of our country in the planned economic period. During the period of economic system reform, the historical burdens brought about lagging reform and slow-moving economic and social development, which blocked the normal development of financial industry and the emergence of financial innovation to certain extent.

3.2 Internal environment of financial industry

3.2.1 Regional credit environment

The problems are reflected in regional credit environment as follows:

- Imperfect credit system. The prominent problem of which is that the regional credit registry system generally can not be the fundamental support and important basis for banking system to make precise risk assessment of the loan, which makes internal funds in Northeast China can not be used effectively, and flow to other areas through the pool of funds in head office, hinder the normal movements of funds and reduce their fiduciary degree from other areas or countries nearby, and then cause capital "bottleneck" in the economic revitalization.
- Weak credit consciousness. Because of the long-term planned economy and the special place as China's old industrial base during this period, the ideologies of achieving at any price, neglecting cost, eating from the same big pot prevailed over Northeast China. By contrast, the commodity consciousness is lighter, and the thinking such as "Everything did by oneself", "Overcautious in borrowing" gradually formed to be model in their heads and then led their behaviors.

Owing to the imperfect credit environment, the banks always fail to make reasonable valuation of loan risks. Cheating in borrowing, chain debts, escaping from paying debts, forging or hiding in making reports, etc, frequently happen.

3.2.2 Regional financial property right

Centering on State-owned banking system is an important feature in China's financial environment, it means not only state-owned banks' large proportion in total quantity of credit in the region, but also that even if the establishment of a number of joint-stock system, local, private banks, it has a strong color of state-owned banks in the aspects of establishment, operation and management supervision. This is a new issue of undefined financial property rights which is caused with the reform of the financial system in the new period.

Due to the undefined financial property rights, property right is unclear, then it will cause risk bearer unclear, and even that market operation mechanism of sole responsibility and bearing risk by oneself cannot work effectively.

3.2.3 Regional financial institutions

Up to now, Northeast China's financial institutions are basically composed of four major state-owned banks and their branches, which are supporting economic and social development. It is lack of not only

other ownership banks and their branches, but also the regional banking institutions which can guide regional economic and social development. Meanwhile, non-bank financial institutions are still at the initial stage or yet to start, especially the foreign financial institutions and domestic medium and small financial institutions.

3.2.4 Regional financial intermediary

With the development of financial industry in Northeast China, it is lack of not only non-bank financial institutions which can provide services for the bank or match its business, such as trust company, financial leasing company, financial company, but also the accountant, lawyer, financial personnel and auditor firm, even the whole level and personnel quality is not high.

4. WAYS TO IMPROVE FINANCIAL ECOLOGICAL ENVIRONMENT IN NORTHEAST CHINA

The construction of Northeast China's financial ecological environment is the guarantee of healthy development in financial industry in this region, but also an important step in the strategic objectives to the implementation of "Revitalize the Old Industrial Base of the Northeast" proposed by central government.

4.1 Improving regional legal environment

As we all know, the essence of market economy is legal economy. It goes without saying that, as the core operation of modern market economy, modern financial should also be legal financial. Therefore, the construction of regional financial legal environment is the essential security for regional financial industry to avoid risk, maximize profits, and economic and social healthy development.

Construction of financial legal environment in Northeast China should take the principle of combination of cooperation and independent. Cooperation means that construction should be combined with the fundamental law and general law promulgated by central government; Independent means that according to the regional actual conditions and central government's intention, local government should research and develop some local laws and regulations. Thus following market principle and combining with related environment, we can establish the laws and regulations system, which can not only embody cooperation and local characteristics, but also involve from financial market access, the main aspects of the operation, risk taking and bankruptcy to related environment's self-discipline, development, responsibility investigation and so on.

4.2 Standardizing the behavior of local government

Local government in Northeast China should be the role of manager, supervisor, instructor and server in the process of construction of financial ecological environment. The role of manager, from the point of view of leadership, means they should manage and smooth the construction and related event; the role of supervisor, from the point of view of local community and people, means the right of supervision and accusation; the role of instructor, from the point of view of regulation of local economic and social development, means guiding the construction of financial environment and harmonizing the conflict; the role of server, from the point view of public servant, means responsible for financial environment's smooth operation.

4.3 Speeding up the economic development in the region

In view of Northeast China's special history in economic development, its development needs:

- Emancipating the mind. Learning from the experience of special economic zone in the process of reform and opening up in China, ideological emancipation must be promoted by open up. Therefore, taking further steps to reform and open in Northeast China, is practical basis for changing our thought from conservative and rigid into innovative and positive.
- Using flexible and various financing way, such as BOT, BOOT, BOO, PPP and so on, to solve the problem of the capital "Bottleneck" in economic and social development, and the long-term accumulation of "Triangle debts" which were left over by history.
- Exploiting and developing regional characteristic economy. For Northeast China, where is facing the challenge of adjusting economic structure, exploiting and developing regional characteristic economy is the key to acquire higher efficiency from the adjusting of economic structure.

Indeed, there have been many characteristic industries and products, which have played a role in Northeast China's economic and social development in the past. But now, some of them have lost not only their characteristics, but also the supporting role in regional economic and social development. So exploiting and developing regional characteristic industry and product in Northeast China, not only can show their talents in the economic and social development, but also should be an important strategic measure for dislocation and complementary development and win-win cooperation with other regions.

4.4 Perfecting credit environment

The construction of credit environment is one of major supporting system for financial industrial benign operation. Generally speaking, credit system construction includes corporate credit and personal credit. The corporate credit can be based on the current international principle of the "3F", "5P" and "5C";

personal credit's standards should mainly involve moral standing, debt paying ability, collateral security and so on. According to the corporate and personal credit system above, we can give the borrowers effective constraint and avoid the lenders' risk. In the process of the construction of credit environment and regional economic and social development, efforts should also be made to train and create the public credit consciousness and credit quality.

4.5 Improving the financial institutions system

According to the principle of market economy, the construction of financial institutions system should be presented as:

- Speeding up the reform of commercial operational mechanism in state-owned commercial banks.
- Developing diversified financial institutions. Construction of diversified financial institutions is not only the construction of institutions, but also the building of property rights system and operating mechanism.
- Developing fully medium and small financial institutions, and implementing of operating mechanism which is different from state-owned commercial banks and other joint-stock banks, in order to take the development of medium and small enterprises as basic principle, and guide them to be more mature and stronger gradually.
- Establishing orderly various intermediary organizations which serve for financial industry and financial ecological environment. The principle of intermediaries establishment is not only to expand the number even more to improve quality.
- Developing non-bank financial institutions, and making them and financial institutions complement each other in business.
- Developing capital markets, especially the OTC market.

With the development of various financial institutions, clarity of property rights should be priority.

4.6 Introducing foreign capital

Development economist, who have studied the problem of economic take-off in undeveloped areas and advised that introducing foreign capital should be an important measure in these areas, pointed out that the introducing of foreign capital could not only relieve the fund demand in "bottleneck" region, but also bring advanced concepts, management, supervision and experience through the form of direct financing. Northeast China should introduce foreign capital timely, measurably and selectively while improving the financial environment. Foreign capital here can be understood in a broader way:

- Capital from other parts of Chinese mainland.
- Capital from overseas of China.
- Capital from developed areas of China, such as Hong Kong, Macao and Taiwan.

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