

Review

A Systematic Literature Review of the Theory and Policy Research on the Promoting Mechanism of High-Level Financial Opening to Innovative Development of Manufacturing Industry

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Received: October 7, 2022; Accepted: March 15, 2023; Published: March 31, 2023

Abstract: In order to further promote the theoretical research of financial openness and effectively support the innovative development of the manufacturing industry, this paper reviews the domestic and foreign research status of the promotion mechanism of high-level financial opening on the innovative development of the manufacturing industry, and the policy of high-level financial opening to promote the innovative development of the manufacturing industry. At present, the theoretical research on the mechanism of financial opening on enterprise innovation at home and abroad mainly involves three aspects: the mechanism of financial opening on enterprise innovation, the mechanism of foreign banking industry on enterprise innovation, and the mechanism of foreign securities industry on enterprise innovation. Specifically, in terms of financial opening-up, most scholars believe that financial openness will promote enterprise innovation by improving corporate governance capabilities and the proportion of foreign investment. In terms of the opening-up of the banking industry, the entry of foreign banks can promote enterprise innovation through trade promotion effects, financing constraint effects and industry competition effects. In terms of the opening of the securities industry, the opening of the capital market can promote enterprise innovation by reducing the cost of corporate governance. Regarding the policy research on the high-level opening-up of finance to promote the innovation and development of the manufacturing industry, scholars have different views, most of them believe that the financial opening policy can promote economic development, but it will also bring certain problems. Future research directions: research on the mechanism of foreign-funded insurance industry on enterprise innovation, analysis of multiple effect transmission mechanism; Deepen the high-level opening-up of finance and promote the research on policy coordination issues of China's manufacturing innovation and development.

Keywords: High-Level Financial Openness; Innovative Development of Manufacturing Industry; Promotion Mechanism; Theory and Policy; Literature Review

1. Introduction

Innovative development is an effective way for modern enterprises to improve market competitiveness. The connotation of the innovative development of China's manufacturing industry

is to adhere to the innovation-driven development strategy; We should improve the innovation system for the manufacturing industry, which is dominated by enterprises, guided by the market, and integrates production, university, research and application. We should deploy innovation chains around the industrial chain and allocate resources around the innovation chain. We should work harder to tackle key core technologies, accelerate the application of scientific and technological achievements, and improve our capacity for independent innovation in key links and key areas. The innovation and development of Chinese manufacturing industry is still faced with many problems: the ability of technological innovation is not strong, the repeated and dispersed innovation resources, the insufficient support of scientific and technological innovation to the industry, and the role of intellectual property is not yet fully played. The innovation and development of China's manufacturing industry will help promote the transformation of our manufacturing industry from "Made in China" to "Created in China", and help achieve the goal of "made in China 2025".

The essence of high-level financial opening-up is institutional opening-up. It mainly aims to provide more comprehensive, efficient and safe financial services for economic development by constructing and unblocking the internal and external circulation mechanism of financial resources. The purpose of high-level opening-up of the financial sector is to promote high-quality economic development, but the premise is to prevent and deal with risks. The high-level opening-up of China's financial sector is an important part of China's opening-up pattern. Since the 18th National Congress of the CPC, China's financial sector has made certain achievements in opening-up. The management system of pre-establishment national treatment plus a negative list has been basically established, and the restrictions on foreign ownership in the banking, securities and insurance industries have been lifted. The RMB has been included in the IMF's Special Drawing Rights (SDR), becoming the third largest basket of currencies and the fifth largest reserve currency in the world... However, at present, there are still some problems in our financial opening to the outside world, such as the lack of institutional openness, the need to improve the investment environment, the lack of full opportunities for residents to allocate personal assets globally and the low level of foreign financial supervision. The continuous promotion of a high level of financial opening-up will help Chinese financial institutions to enhance their competitive ability, promote the optimization of financial market structure and product innovation, and improve the economic and financial management capacity of the relevant departments under the conditions of opening-up.

Under the background of deepening economic globalization and financial opening, China's manufacturing industry cannot realize the magnificent transformation from "Made in China" to "created in China" without the effective support of the financial industry. Steadily advancing high-quality opening-up in the financial sector is not only an effective measure to make the financial sector better serve the innovation and development of the manufacturing industry, but also an inherent requirement for deepening supply-side structural reform in the financial sector and achieving high-quality economic development. Therefore, in-depth analysis of the promoting mechanism of financial high-level opening to the manufacturing industry innovative development and the policy of financial high-level opening to promote the manufacturing industry innovative development will help realize the transformation and upgrading of the manufacturing industry, further build its national economic subject position, and lay a solid foundation for the modernization development of our country.

This paper will review the research status at home and abroad on the mechanism of high-level financial opening to promote the innovation and development of manufacturing industry and the

policy of high-level financial opening to promote the innovation and development of manufacturing industry, in order to further promote the theoretical research on the effective support of financial opening to the innovation and development of manufacturing industry. The rest of this paper is arranged as follows: The second part introduces the promotion mechanism of high-level financial opening to manufacturing innovation and development; The third part introduces the policy research of high-level financial opening to promote the innovative development of manufacturing industry; The fourth part is a brief review.

2. Connotation of High-Level Financial Opening

Most scholars define financial openness mainly from the perspective of international capital flow and financial services, or in summative language. Jiang Bo Ke et al. (1999) [1] believed that from a static point of view, financial opening refers to the opening of a country's (or region's) financial market to the outside world. From the dynamic point of view, it refers to the process of a country (or region) from the financial closed state to the financial open state. Bekaert and Harvey (1995) [2] pointed out that financial opening should include seven aspects: stock market opening, capital account opening, ADR and state fund issuance, bank reform, privatization, capital flow and FDI. Kaminsky and Schmukler (2002) [3] pointed out that financial opening is not only the liberalization of capital account, but also the opening of domestic financial sector and securities market.

Since 2018, China's financial opening-up has accelerated, expanded in scope and deepened in depth, and made new progress. In the construction of a new development pattern of double cycle, the necessity and importance of high-level financial opening-up become more prominent. Increasing financial opening is the basic guarantee to prevent "hard decoupling"; It is an important way to ease the friction between China and America. It is beneficial to link both domestic and foreign markets; It is conducive to deepening financial reform and building financial governance system (Liu Fei and Zheng Liansheng, 2021) [4]. The high level of financial opening-up means that China's financial sector will further open-up based on the current level of opening-up, continue to march towards the depth and breadth of financial opening-up, further improve the quality and quantity of financial opening-up, the field, level, hierarchy and way of financial opening-up to reach the highest average level of international financial opening-up.

3. Connotation of Innovative Development in Manufacturing Industry

Since Manufacturing industry is the foundation of the national economy, the industrial carrier of national strength and wealth, and a symbol of national comprehensive strength. Over the past 30 years of reform and opening-up, China's manufacturing industry has achieved rapid development, gradually becoming the world's largest manufacturing country. However, China's manufacturing industry is large but not strong, and there is a significant gap between China and developed countries in terms of independent innovation capability, resource utilization efficiency, quality brand level, and economic profitability (Li Lianshui et al., 2015) [5]. Therefore, China has proposed a "Made in China 2025" development strategy aimed at transforming the development mode and improving independent innovation capability. "Made in China 2025" clearly proposes to achieve three major changes, namely, the transformation from Made in China to Created in China, the transformation from Chinese speed to Chinese quality, and the transformation from Chinese products to Chinese brands, thereby achieving a qualitative change in Made in China from large to strong. The strategic

policy of Made in China 2025 is: innovation driven, green development; The strategic tasks are: deep integration of industrialization and industrialization, integrated innovation; The strategic project is to strengthen the foundation and achieve high-end breakthroughs (State Council, 2015) [6]. The development of China's manufacturing industry should pay more attention to strategic optimization in four aspects: continuing to implement the innovation driven development strategy, giving full play to the guiding and incentive role of government policy leverage, protecting the development of the manufacturing industry in a legal and regulatory manner, and establishing a lifelong learning and training system to generally improve the innovation level of employees (Li Jianxuan, 2016) [7].

4. Theoretical Research on the Mechanism of Financial Opening's Effect on Enterprise Innovation

At present, theoretical research on the mechanism of financial openness on enterprise innovation at home and abroad mainly involves three aspects: the mechanism of financial openness on enterprise innovation, the mechanism of foreign banking industry on enterprise innovation, and the mechanism of foreign securities industry on enterprise innovation.

In terms of financial openness, Bao Xing (2020) [8] analyzed that the improvement of financial openness stimulated technological innovation in host countries, and technological innovation played a mediating role in the process of financial openness affecting industrial structure adjustment. Xing Hui et al. (2022) [9] analyzed and believed that the financial opening of the Shanghai Free Trade Zone had a positive impact on innovation investment in high-end equipment manufacturing industry, and external financing constraints played a mediating role, and were regulated by the profitability of enterprises. Based on the research of Bertrand and Mullainathan (2003) [10], Chittoor et al. (2015) [11], Li Ziqi et al. (2022) [12] showed that increasing financial openness would significantly enhance the innovation ability of enterprises; Will promote corporate governance capabilities to enhance corporate innovation capabilities; It will enhance the innovation ability of enterprises by promoting the proportion of foreign capital participation in enterprises.

In terms of opening-up the banking industry, Bai Jun et al. (2018) [13] analyzed and believed that the entry of foreign banks can significantly promote the innovation level of local enterprises, and the mechanism includes direct effects and spillover effects. Li Junqing and Xie Fang (2020) [14] showed that the entry of foreign banks can promote the innovation of host country enterprises; For countries with relatively backward financial development, strong government intervention, and a poor legal environment, the entry of foreign banks has a more significant marginal promoting effect on enterprise innovation. Based on research by Melitz and Ottaviano (2003) [15], Aghion et al. (2019) [16], and Zhu Zhujun et al. (2020) [17], research shows that foreign capital opening in the banking industry affects the innovation behavior of downstream industrial enterprises through four channels: trade promotion effect, financing constraint effect, cost saving effect, and industry competition effect, and the impact direction on the quantity and quality of innovation is uncertain; In addition to the financing constraint effect, the cost saving effect and trade promotion effect positively affect the innovation behavior of downstream industrial enterprises, while the same industry competition effect has a negative impact; When the cost saving effect and trade promotion effect are greater than the competition effect in the same industry, it is beneficial to improve the quantity and quality of innovation. Sheng Bin and Wang Hao (2021) [18] analyzed and believed that the entry of foreign banks promotes enterprise innovation by exerting financing constraint mitigation effects and export

promotion effects, thereby affecting the quality of enterprises' export products. Yu Xulan and Ma Hanjiang (2022) [19] have shown that foreign banks can promote the innovation ability of Chinese enterprises; Foreign banks promote innovative output of Chinese enterprises by easing financing constraints and optimizing loan terms, and the promotion of banking competition is their intermediary mechanism; Foreign banks can help Chinese enterprises absorb international knowledge spillovers and enhance their independent innovation capabilities.

In terms of opening-up the securities industry, Larrain and Stumpner (2017) [20] believe that opening-up the capital market can eliminate liquidity barriers in domestic and foreign markets, improve capital allocation and corporate financing constraints, and promote enterprise innovation. From the perspective of capital inflow, Xie Fang and Guo Na (2019) [21] analyzed that debt capital inflow would hinder the innovation of host country enterprises; The inflow of stock capital can promote the innovation of host country enterprises. Xie Fang (2022) [22] believes that the opening of the stock market promotes the innovation of host country enterprises through financing channels, risk sharing channels, and corporate governance channels. From the perspective of QFII, Liu Ye and Meng Hangtong (2022) [23] analyzed and found that QFII can promote innovation investment of enterprises, environmental uncertainty can reduce the promotion effect of QFII on innovation investment of enterprises, and financing constraints play a mediating role. From the perspective of the Shanghai Shenzhen Hong Kong Stock Connect, based on research by Xu Fei (2019) [24], Gillan and Starks (2000) [25], Ma Yanyan et al. (2019) [26] showed that opening the capital market can increase the scale of enterprise R&D investment, reduce enterprise credit dependence, reduce the blocking effect of financing constraints on R&D, improve the level of external supervision, and thereby enhance the scale of enterprise R&D investment. Based on the research by Ang et al. (2014) [27], Qi Di (2020) [28] analyzed and believed that after the implementation of the Shanghai Shenzhen Hong Kong Stock Connect, the innovation investment of the target company will increase; The innovation output of the target company will increase. Wu Yuxuan and Dong Li (2022) [29] showed that the opening of the capital market is positively promoting technological innovation in enterprises; Corporate governance plays a mediating role; The opening of capital markets promotes technological innovation by reducing the first and second types of agency costs in corporate governance (Ferreira and Matos, 2007 [30]; Aggarwald et al., 2010 [31]). Lv Xiaojun et al. (2022) [32] analyzed and found that opening the capital market helps improve the quality of enterprise innovation; The fiercer the competition in the industry, the stronger the promotion effect; The opening of the capital market has a more significant incentive effect on the innovation quality of enterprises with higher shareholding ratios of overseas institutions.

5. Policy Research on Deepening High Level Financial Opening and Promoting Innovative Development of Manufacturing Industry

Many scholars have different opinions on the formulation of financial opening policy. The financial opening policy should be made in combination with the specific domestic situation, considering the degree of matching with the external market environment (Yu Cheng, 2022) [33], weighing the benefits and costs of opening, and considering the effect of economic growth and the impact on financial stability (Deng Min, 2013) [34]. At the same time, full consideration should be given to the openness of the financial industry and the interactivity of capital and financial account opening (Zhang Xiaobo, 2017) [35]. More systematic methods and top-level design can be adopted

instead of experimental methods, combining "reform to promote opening-up" and "opening-up to promote reform" to give full play to the spillover effect of China's financial policies (Huang, 2018) [36]. In developing countries, the benefits of financial opening policies are often seen, but problems such as declining economic growth and rising project deficits should cause them to rethink the original policies (Khan and Haque, 1985) [37]. The strategic choice of financial opening policy should be based on the comprehensive opening effect analysis (Ding Zhijie, 2001) [38]. Most scholars believe that the financial opening policy can promote China's economic development. El Khoury and Savvides (2006) [39], Zhang Nan (2015) [40] and Gao Wei (2022) [41] found that the financial opening policy will promote the upgrading of industrial structure. Edwards (2001) [42] proposed that the financial opening policy could attract foreign banks to enter, introduce advanced technologies and financial instruments, and promote domestic economic development. But at the same time the financial opening policy will also bring some problems. Some studies have shown that China's financial opening policy is not coordinated (Zhang Xiaobo, 2017) [35]. If China's financial opening policy is continued, the central bank should be prepared to adjust the macroeconomic capacity to decline (Zhang Bingnan, 2019) [43].

At the same time, the financial regulation under the financial opening is attracting more and more attention. In terms of the relationship between financial openness and financial regulation, Qian Xiaoan (2002) [44] believed that financial openness would weaken the effectiveness of financial regulation. Cao Shengliang (2014) [45] argued that under financial globalization, China's financial regulation obviously lags the process of financial opening-up. Wang Aijian et al. (2019) [46] believes that financial opening and financial regulation promote each other, financial opening forces the continuous improvement of financial regulation, and financial regulation escorts financial opening.

The exploration of financial regulation under the financial opening includes: first, foreign banks and financial regulation. The level of financial openness will affect how strictly banks supervise the entry of foreign banks, which will inhibit the entry of foreign banks (Chen Sichong et al., 2020) [47]. In the process of our financial opening, we should regulate the speed of the entry of foreign banks appropriately (Sun Lixing, 2008) [48]. If there are fewer entry restrictions on foreign banks, there will be a closer relationship between international financial regulatory cooperation and banking stability (Beck et al., 2013) [49]. Second, foreign securities and financial regulation. Cross-border financial regulatory cooperation can significantly increase foreign portfolio investment (Lang et al., 2020) [50]. Thus, limited financial regulatory oversight and weak shareholder protection often discourage foreign portfolio investment in countries with the greatest need for external capital (Leuz et al., 2009) [51]. For the process of our gradual financial opening-up, we should postpone the entry of foreign securities into the market and open it after having relevant competitiveness (Han Xintao and Yang Man, 2019) [52]. Third, foreign insurance and financial regulation. The entry of foreign insurance has brought greater difficulty in financial risk supervision (Meng Zhaoyi, 2006) [53]. In the process of our financial opening-up, prudential supervision should be strengthened on foreign capital insurance (Cao Shengliang, 2014) [45]. At the same time, the regulation of market access, operation and market exit is still the regulatory measures for foreign insurance that adapt to China's national conditions (Song Peiyu, 2019) [54].

6. Brief Review

(1) In terms of theoretical research on the promotion mechanism of high-level financial opening

to the innovative development of manufacturing industry, at present, domestic and foreign research on the connotation of high-level financial opening and innovative development of manufacturing industry is not mature. It can be predicted that with the deepening of the practice of high-level financial opening and innovation and development of manufacturing industry, The understanding of the connotation of high-level opening-up of finance and the connotation of innovation and development of manufacturing industry will also be deepened. At present, theoretical studies on the mechanism of financial opening on enterprise innovation at home and abroad mainly involve three aspects: the mechanism of financial opening on enterprise innovation, the mechanism of foreign banking on enterprise innovation, and the mechanism of foreign securities industry on enterprise innovation, and the number of analyzed micro transmission mechanisms is limited. However, studies on the mechanism of high-level financial opening on manufacturing innovation and development, the mechanism of foreign-funded insurance industry on enterprise innovation, and the analytical research on the transmission mechanism of multiple effects are relatively rare. At the same time, the existing researches mainly focus on qualitative analysis, but few on quantitative analysis. To sum up, the theoretical research on the promotion mechanism of high-level financial opening to the innovation and development of manufacturing industry at home and abroad has just started.

(2) In terms of policy research on deepening high-level financial opening-up and promoting innovative development of manufacturing industry, at present, existing researches at home and abroad mainly focus on the formulation and implementation of financial opening-up policies and the formulation and implementation of financial supervision policies under financial opening-up. Meanwhile, the multi-dimensional policy innovation and effect of accelerating the integration development policy of foreign banking, securities and insurance industry and our country manufacturing industry, deepening the high level opening-up of banking industry and promoting the innovative development of our country's manufacturing industry, deepening the high level opening-up of the securities industry and promoting the innovative development of our country's manufacturing industry It is rare to study policy coordination on innovation and effect, deepening financial high level opening and promoting innovation and development of Chinese manufacturing industry. To sum up, the policy research on deepening financial high-level opening-up and promoting the innovation and development of our manufacturing industry is just starting at home and abroad.

Funding: This research was funded by the Regional Project of National Natural Science Foundation of China, grant number 71861003.

Conflicts of Interest: The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.

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