

Research on the Influencing Factors of China's Financial Services Trade Competitiveness

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Abstract: According to data from the National Bureau of Statistics, from 2012 to 2020, China's total financial services exports increased from 11.9 billion yuan to 28.8 billion yuan, but the scale of China's financial services exports is still small, and the international market share is low. Therefore, in-depth study of the competitiveness of China's financial services trade and the identification of factors affecting the competitiveness of financial services trade are of great significance to promoting the development of China's financial services trade. This paper analyzes the current situation of China's financial services trade, discusses the influencing factors of China's financial services trade competitiveness, and finally puts forward policy suggestions based on the analysis results, which is of great reference significance for improving the competitiveness of China's financial service trade and promoting the high-quality development of service trade.

Keywords: Financial services, Service trade competitiveness, Financial innovation.

1. Introduction

Since the beginning of the 21st century, the development of economic globalization has brought international trade closer and closer. The global industrial structure has also gradually changed, the service industry has become increasingly internationalized, and the proportion of service trade in global foreign trade has been rising. From 2001 to 2019, China's total trade in services grew rapidly from US\$78.5 billion to US\$802.3 billion, with an average annual growth rate of 13.78%. In 2019, the import and export of service trade ranked second and fifth in the world, and the international status of China's service trade continued to improve. In this process, the financial industry provides China's economic development with endless capital "blood", and financial service trade, as an important part of service trade, has become an important support for promoting the development of the national economy and trade growth. The Fifth Plenary Session of the Nineteenth Central Committee of the Communist Party of China proposed to build a new system of a higher level of open economy, comprehensively improve the level of opening up, promote trade and investment liberalization and facilitation, and promote trade innovation and development. As the emerging profit growth point of China's service trade, financial service trade is bound to participate more in international competition, how to promote the upgrading of the structure of service trade through the improvement of its own competitiveness in the context of the long-term continuation of the current trade friction and the short-term impact of the new crown pneumonia epidemic on economic and social development, is a new proposition that has attracted much attention at present.

2. Literature Review

2.1. Research on the Measurement of Trade Competitiveness in Financial Services

As for the competitiveness of financial services trade, in recent years, many scholars have tried to measure it with different indicators to form a more perfect analysis

framework. Park, woo (2019) measured the competitiveness of a country's financial service trade by international market share. Rabia Khatun and jagadish prasadbist (2019) take the development level of all four financial fields, including banking, stock market, insurance and bond market, as the standard to measure the competitiveness of financial service trade. Huang Manying and Deng Xiaohong (2011) selected 18 economies including China and made a comparative analysis on the international competitiveness of China's financial service trade under the two modes of cross-border payment and commercial existence through BOP statistics, i.e. balance of payments statistics and trade statistics, i.e. service trade statistics of foreign affiliates. It uses the dynamic panel gravity model to fit the export flow equation of bilateral financial services of a "typical" economy (including China). On this basis, it constructs the bilateral service trade competitiveness index considering the total trade volume and growth, and then makes an empirical analysis on the bilateral financial service trade competitiveness of China.

Yuan Yuan (2018) combined with the actual situation of China's financial service trade and referring to Porter's diamond model, analyzed the influencing factors of China's financial service trade competitiveness from the perspectives of production factors, enterprise strategic structure and horizontal competition, relevant supporting industries, demand conditions, technological innovation, openness and the government. Based on the transnational panel data of 156 countries from 2000 to 2011, Song Jianqiang and Wang Qiang (2018) analyzed the development trend and international competitiveness of world modern service trade in recent years, and made an empirical study on the influencing factors of international competitiveness of modern service trade. Qin Siyi and Yang Hao (2011) used three indicators: international market share, trade competitiveness index and revealed comparative advantage index to specifically describe the international competitiveness of the BRICs financial service trade. Bao Kun (2019) took the G20 as the research object, selected 10 categories of service trade related to the competitiveness level of service trade, applied the methods of factor analysis, principal component analysis and cluster

analysis, and made a multivariate statistical analysis on the export status of service trade of these countries in 2016 by using SPSS software. Wang xuantao and Lin Jingyi (2019) evaluated China's financial service trade and its competitiveness by selecting the data of 10 countries in the United States, Germany, Britain, France, Japan and the "BRICs" including China, using the comparative analysis method and the index of trade competitiveness TC index. Li Hong and Zhao Qianqian (2021) analyzed the development status of China's financial service trade from both domestic and international perspectives, then used Porter's "Diamond Model" for reference, selected 12 indicators affecting China's financial service trade competitiveness, and conducted empirical research by using the methods of principal component analysis and regression analysis. Li Huaping and Liu Yan (2020) used four indicators to measure the competitiveness of Shanghai's financial service trade. Then, based on Porter's "Diamond Model", this paper makes a regression analysis on the influencing factors of the international competitiveness of Shanghai's financial service trade.

2.2. Research on the Factors Affecting the Competitiveness of Financial Service Trade

Since the 1980s, many foreign scholars have tried to explain the influencing factors of financial service trade from multiple angles and formed several representative views. Walter (1988) believes that the emergence of financial service trade is due to the difference of total factor productivity of financial industry between different countries. Moshirian et al. (2005) tried to explain the scale of financial service trade with the theory of intra industry trade. They believed that the main factors affecting the intra industry trade of financial services were the level of per capita income, the stock of human capital and the level of foreign direct investment. However, on the whole, the lack of statistical data limits the promotion of the research on trade in financial services.

Scholars have also explored the influencing factors of China's service trade competitiveness from different angles. Chen Xian and Yin Feng (2013) took the added value of service industry, the use of foreign direct investment in service industry and the import and export volume of goods as the influencing factors of service trade competitiveness. Zhuang Huiming et al. (2009) selected nine factors affecting the competitiveness of service trade based on the diamond model. The results show that the impact of population quality, goods export and agricultural labor productivity on the competitiveness of service trade is positive, while the impact of urbanization level and labor production rate of service industry is negative. The actual utilization of foreign capital, GDP, per capita GDP and manufacturing labor productivity have no significant effect. Xuzhiyu (2018) believes that the competitiveness of service trade is mainly affected by factor conditions, demand conditions, related industries, enterprise strategic structure and competition.

Some scholars have also made beneficial exploration on the influencing factors of China's financial service trade competitiveness. Liu Huihui (2000) believes that the competitiveness of financial service trade is affected by economic system, macroeconomic policy, market structure and characteristics, national factor endowment and so on. Yao Zhanqi (2006) believes that the main factors determining the trade in financial services include foreign direct investment in

manufacturing, total trade volume, financial market scale, exchange rate, overseas assets of banking industry, etc. Shi Dan (2007) believes that the liberalization of trade in financial services can improve the efficiency of the financial system. Gao Yang (2014) believes that the impact of financial services trade liberalization on the competitiveness of financial services trade is not clear. Zhang Jingjia and Liu Chenyang (2019) comprehensively analyzed and compared the competitiveness of APEC members' trade in services from two aspects: the development of financial service trade and the comparison of the competitiveness of financial service trade. Wang Yanan and Zhang Kaile (2018) analyzed the advantages and disadvantages of our country's existing financial service trade, and analyzed the impact of our country's human resources allocation, relevant technologies, relevant government policies and foreign environment on service trade. Jia Xianjun (2019) started from the two-way financial opening-up policy, focused on the development characteristics of financial service trade, and clarified the impact mechanism and policy effect of China's financial opening-up on the competitiveness of financial service trade through index quantification and empirical analysis. Zeng Cheng (2021) selected the relevant data from 2000 to 2019, explored the ways to improve the international competitiveness of China's financial service trade through empirical analysis, and found that government support is particularly important. Wang junran, Shen Yaxin, Luo Lan, Zhou Junpeng, Hu Jiujun, Wang Yuexin,

2.3. Research on the Path of Enhancing the Competitiveness of Financial Service Trade

Scholars have different views on the path of improving the competitiveness of financial service trade. Rabia Khatun (2019) believes that the government should strive to eliminate barriers to trade in financial services in order to develop a better financial structure, so as to promote the further growth of trade in financial services. Huang Manying and Deng Xiaohong (2018) believe that we should strengthen the reform of the domestic economic system and gradually liberalize the control of the domestic economy, so as to improve the degree of freedom of China's economy. Li Hong and Zhao Qianqian (2021) believe that we should continue to help improve residents' consumption environment and consumption structure, guide diversified scientific consumption behavior, constantly tap domestic demand, expand the financial service market, and promote financial institutions to continuously innovate high-quality products and services by expanding demand.

The theory of trade in services and trade in financial services has a long history, but a large number of related studies have emerged in recent years. This is mainly due to the active implementation of new and efficient development strategies by all countries in the context of the integrated development of the global economy, and China, without exception, has repeatedly stressed the importance of trade in financial services. These related studies can be basically divided into the analysis of the influencing factors of the competitiveness of financial services trade, the measurement and model research of the competitiveness of financial services trade, etc. through the analysis, it is not difficult to find that: first, how to improve the competitiveness of financial services trade has become the focus of scholars' research. In recent years, the research focus on the influencing

factors of financial service trade competitiveness has shifted to policy, which provides a certain theoretical support for the study of the influencing factors of China's financial service trade competitiveness from the perspective of policy. Secondly, how to use the model to empirically analyze the influencing factors has also been listed as the key direction by scholars. Previous studies mostly draw conclusions based on Transnational panel data analysis, but more and more scholars conduct empirical analysis by constructing measurement indicators combined with national diamond model. Finally, with regard to the research on the path of improving the competitiveness of financial service trade, more and more scholars give suggestions from the aspects of financial innovation, digital finance and green finance based on the concept of high-quality development. The previous suggestions on improving the export scale of financial service trade are difficult to meet the practical needs.

The research focus of this project is to analyze the influencing factors of the competitiveness of China's financial service trade, and put forward policy suggestions based on the analysis results, which has very important application prospects for improving the competitiveness of China's financial service trade and promoting the high-quality development of service trade. At the same time, it also meets the needs of 24 departments such as the Ministry of Commerce to issue the development plan of service trade in the 14th five year plan. By analyzing the influence degree of influencing factors on the competitiveness of financial service trade, this paper provides a practical reference for the formulation and adjustment of strategies and policies related to the development of China's financial service trade.

3. Analysis on the Current Situation of China's Financial Service Trade

3.1. The Growth Rate of Financial Service Imports Slowed Down and the Deficit Improved

At the beginning of China's reform and opening up, the trade in financial services was mainly to attract more foreign investment, while the number of domestic financial service institutions was small and rarely explored the international market. In China's foreign trade of financial service trade, import trade accounts for a large proportion. With the continuous development of China's financial service trade, its scale increased from US \$178 million in 2000 to US \$5.4 billion in 2018, an increase of more than 29 times, with an overall fluctuating growth trend. In 2018, China's financial service trade accounted for only 0.70% of the total service trade, but in terms of growth rate, the average annual growth rate between 2000 and 2018 reached 34.4%. From the perspective of the scale of financial services trade, the overall scale of trade shows a continuous growth trend except for the decline in 2007, 2008 and 2011. From the perspective of net financial trade, there was an overall trade deficit from 2000 to 2015, and the net trade value reached a historical peak of -746 million US dollars in 2006. Since 2015, the trade deficit in financial services has gradually narrowed, and the trade surplus has been realized for three consecutive years in the following three years. From the perspective of the growth rate of financial service trade, from 2000 to 2018, it showed a steady growth in the early stage and a rapid growth in the later stage. Among them, the overall import growth rate is similar

to the export growth rate, which showed a simultaneous downward trend from 2007 to 2008. From 2010 to 2018, the import and export scale showed a trend of first expanding and then shrinking, while the import growth rate decreased, and gradually realized the positive growth of net trade value. Compared with the United States and other developed countries, China's financial service trade is still in the initial stage of development, with problems such as low service level and weak product competitiveness. Domestic financial institutions have a short history of international competition, limited scope of international business, and most of their businesses are low-end products with low added value, while their service level and competitiveness are still far from international financial service institutions. In addition, with the growth of China's financial service trade, China's market demand for high-end products and businesses is also growing. When domestic institutions are difficult to meet this demand, it can only be solved through the import of financial service trade, which is also the main reason for the long-term negative net value of China's trade export, and reflects the relatively backward development of financial service industry. Since China's entry into WTO, although the export scale of financial service trade is far lower than that of import, it has been in a stable growth trend. In terms of the export scale of financial services trade, the average annual growth rate from 2000 to 2018 was 22%, from US \$186 million to US \$8.2 billion, showing a positive growth trend except 2002, 2004 and 2015. During the same period, the average annual growth rate of imports was only 9%, maintaining a positive growth trend except for 2009 and 2015. Today, China's export growth has gradually caught up with imports, the deficit has gradually improved, and the financial service industry has gradually moved towards healthy development.

3.2. The Proportion of Trade Is Growing, and There Is More Room for Improvement

In China's total service trade, although the overall proportion of financial service trade is relatively low (except insurance trade and related businesses), the proportion was only 2.5% in 2015, which shows that although China's financial service industry has expanded in scale, its competitiveness in the whole service trade industry is still insufficient. First of all, from the perspective of the changes in the scale of financial services trade, its trade scale continues to grow in fluctuations. In accordance with the WTO commitments, China has gradually developed the financial market in recent years, and the scale of financial service trade has increased rapidly, from US \$178 million in 2000 to US \$5.4 billion in 2018. However, as China's financial industry is still in its infancy, with poor stability and large fluctuations in the growth of trade scale, its decline reached 52.48% in 2015. In 2010, it increased by 152.30%. In terms of the proportion of China's trade in finance and services, the proportion of China's trade in services has also increased. In the composition of China's service trade, the status of financial service trade is gradually improving, and its proportion has increased from 0.27% in 2000 to 0.70% in 2018, with a cumulative increase of 2.6 times. However, during this period, the proportion of financial service trade in service trade did not rise steadily. It fluctuated up and down from 2000 to 2009. Except that the growth rate reached 137.16% in 2006 and the proportion reached 0.54%, the proportion of service trade as a whole was less than 0.5%. From 2010 to 2018, except for the significant decline in 2011

and 2015, the rest of the years showed a positive growth trend, and the proportion of service trade fell and rebounded rapidly the following year.

3.3. International Competitiveness of China's Financial Services Trade

In recent years, the export volume of China's financial service trade has maintained rapid growth, while the import volume has slowed down relatively, and its total trade volume and status have also increased steadily. However, the level of international competitiveness still needs to be improved, the development of financial market is still not stable, its international competitiveness is still far from that of foreign developed countries, and its international market share is relatively low. According to the data in Table 1, from the perspective of international competitiveness, China is characterized by two-level differentiation compared with western developed countries such as Britain and the United States. The competitiveness of western developed international financial services is significantly ahead of that of China. In particular, the international market share of Britain and the United States is relatively high, and the sum of the two countries accounts for about 40%, which shows the great influence of Britain and the United States in the international financial services trade market. Specifically, the international competitiveness of the United States mainly lies in its main position in the world trade market, while Britain is due to its position as a traditional international financial center, which have effectively promoted the development of financial service trade between the two countries. Relatively speaking, China's financial service trade accounts for less than 1%, which is mainly due to the fact that China's position in the international financial market is far from that of Britain and the United States, reflecting the low international competitiveness of China's financial service trade.

4. Analysis on the Influencing Factors of China's Financial Service Trade

4.1. Factors of Production

In terms of production factors, there is a big gap between China's financial service industry and developed countries in terms of industrial scale, technical level and talent quality. With the development in recent years, the overall scale of China's financial service industry is on the rise, and its share in the international market is also increasing year by year. However, compared with developed countries, the scale of China's financial industry is still small. Low labor cost is a major advantage in the development of China's financial industry. However, due to the low cultural level, low professional quality and insufficient industry experience of employees, there is a shortage of high-end talents in the financial industry. In the financial industry, there is no emphasis on the training of talents, and the talent training system within the financial company is not perfect.

4.2. Financial Related Industries

With the continuous upgrading of computer system and the continuous improvement of Internet infrastructure construction, the hardware foundation of China's financial industry has gradually kept up with the pace of developed countries. However, compared with developed countries, the development of China's financial and trade industry is still relatively backward. At the same time, because the financial

industry has relatively high requirements for the education level of employees, it is necessary to improve the level of education for all in China. The financial industry can communicate with the education department to promote the education department to cultivate high-quality talents to meet the development of the financial industry. Compared with developed countries, China's financial industry started late and developed slowly, which also caused some obstacles to China's financial service trade industry in international competition.

4.3. Impact of Government Policies

The economic policies formulated by the government have a great impact on the development of an industry. The improvement of the international competitiveness of financial service trade is inseparable from the strong support of the government. In recent years, we have seen that the Chinese government has taken the initiative to promote the development of the financial industry, combined with market economy means and government support policies, which has provided an effective boost to the development of the financial industry and made the financial industry develop greatly. At the same time, we also see that the operation of China's capital market is not satisfactory, and the relevant laws and regulations of China's financial industry need to be further improved and formulated. In these aspects, the government needs to invest energy to strengthen management.

5. Countermeasures to Enhance the Competitiveness of China's Financial Service Trade

5.1. Coordinate the Support of Various Industries and Promote the Development of Financial Service Industry

From the perspective of international trade, the growth rate of traditional goods trade has lagged behind that of service trade, and financial service trade is not only the focus of economic competition in the world, but also the foundation of the development of financial service trade. China should closely follow the world development trend and make use of the new trend of world industrial transfer to actively promote the development of service industry, especially emerging profit growth points such as financial services. With the development of China's national economy, the relationship between various industries is becoming closer and closer, and the financial service industry also needs the support of other industries to develop steadily. China is not only a global trading power, but also a manufacturing power. The settlement, transportation, insurance and other links in its import and export trade belong to the business scope of financial services. China should make use of its comparative advantages in international trade in goods to create a good development environment for the development of China's international financial industry. At the same time, the financial service industry should strengthen exchanges and interaction with other industries in order to create a good development environment for China's financial service industry and financial service trade.

5.2. Improve the Training Mechanism of Financial Service Talents.

Human resources are the core driving force of the financial

service industry, especially the compound financial talents with international ability. Therefore, China should learn from foreign advanced experience and knowledge theory, constantly improve the talent training system of the international financial industry, and focus on cultivating high-end talents with professional theory and practical experience, cross-cultural communication ability and reasonable application of the standards of the international financial system. Firstly, we should adjust the curriculum of colleges and universities according to the actual needs of China's financial institutions, and cultivate compound professionals with high comprehensive quality through the interdisciplinary integration of financial knowledge; During school training, colleges and universities should pay attention to creating a good educational environment and atmosphere, and train financial talents at different levels for the financial service industry through short-term, medium and long-term training modes; Introduce foreign talents with advanced experience to absorb their theoretical knowledge and advanced management experience; Financial institutions should strive to create a good corporate culture atmosphere, establish and improve talent training system standards, so as to continuously improve the international competition level of China's financial industry and provide human support for the continuous development of China's financial industry.

5.3. Strengthen Financial Innovation Capabilities and Risk Management and Control

At present, financial liberalization has become the main trend of financial development in the world, and financial services and financial products are an important part of the international competitiveness of financial institutions.

At present, there are many problems in the domestic financial industry, such as the low level of financial services and the single structure of financial services, which seriously affect the development of China's financial service trade. Compared with western large multinational financial institutions, domestic financial institutions still have a large gap in product innovation and concept innovation. Therefore, in order to enhance the international competitiveness of China's financial products and services, domestic financial institutions should actively learn from foreign advanced management experience and theoretical knowledge, start from the innovation and R & D of financial products, deeply understand the differentiated needs of customers for financial products based on the needs of domestic and foreign markets, and make rational innovation for their own financial products and services. In addition, financial institutions should provide convenient and customized services for consumers through networking and information technology on the basis of creating a good user experience, so as to further improve the financial service model and enhance the competitiveness of China's financial service trade in the world.

5.4. Promote the Opening of Financial Services Trade

With the support of the national "going global" strategy, domestic financial institutions should actively expand their overseas business scope according to their own development reality, which is not only China's commitment to WTO, but also the choice for the gradual opening of domestic financial industry. In order to promote the rapid development of financial service trade, China has gradually liberalized the

control of capital account and continuously increased the number of free trade zones, which has also effectively promoted the liberalization of China's financial industry. However, financial liberalization is not completely laissez faire. The government should promote the continuous expansion of the overseas business scope of China's financial industry from a strategic perspective, while financial institutions should actively expand new areas of financial business from the aspects of R & D and innovation of new products and integration with international standards, and gradually open the financial service trade market to the outside world through the construction of free trade zone, so as to further promote the development of China's financial service trade. In the process of the gradual internationalization of the domestic financial industry, various financial institutions have gradually transformed to the mixed business model on the basis of the past separate business model, which inevitably increases the difficulty of their supervision. Therefore, on the basis of connecting with international regulatory standards, we should focus on the actual situation of our country and gradually improve the financial regulatory standard system; All regulatory bodies should work together to ensure the healthy development of the financial industry through the continuous improvement of the mandatory information disclosure system; Financial institutions should actively carry out the reform of internal management mechanism and improve the network supervision system by using network information and big data technology; Establish and improve the risk emergency prevention and control system, resolutely punish all kinds of illegal acts, and ensure the stability and safety of the financial market order.

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