

# Financial advancement in promoting efficient ecological development under supply-side reform

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**ABSTRACT.** *The construction of ecological civilization is an important part of the development of socialism with Chinese characteristics. The construction of ecological civilization is an important part of the development of socialism with Chinese characteristics. With the increasing environmental pressure brought by economic development and the promotion of efficient ecological development by financial development under the supply-side reform, we fully realize the inseparable relationship between regional financial development and environmental protection industry. Understand the importance of the supply-side reform of environmental protection industry and the supply-side reform of financial sector; and firmly promote the healthy development of efficient ecology from the financial side under the background of supply-side reform. Under the background of supply-side reform, this paper studies the win-win development of economic and ecological environment protection by strengthening government, finance, scientific and technological research and development at all levels.*

**KEYWORDS:** *supply side, ecological development, finance advancement*

## 1. Introduction

On September 7, 2013, General Secretary Xi Jinping pointed out in his speech at Nazarbayev University in Kazakhstan: “We want clear waters and green mountains as well as mountains of gold and silver. Green mountains and water are better than gold and silver mountains, and green mountains and water are gold and silver mountains”. Since the 18th national congress, under the background of China's supply-side reform. The CPC central committee with General Secretary Xi Jinping at its core has elevated “ecological civilization” to a strategic height for the development of socialism with Chinese characteristics, pointing out the new direction of ecological civilization construction.

At present, China's level of industrialization is gradually deepening, the

economic development from high speed to medium high speed steady transition, but the resulting environmental pressure is increasing. To ensure the sustainable development of economy, we must solve the increasingly serious ecological and environmental problems, and adhere to the concept of environment-friendly development while building a well-off society in an all-round way. At the same time, under the background of supply-side reform, how to continuously enhance the mutually beneficial relationship between economic development and ecological environment protection through finance, local government, scientific and technological research and development, and achieve a win-win situation between economic growth and ecological environment protection is an important issue that should be seriously considered in the new era [1].

## **2. Understanding the importance of supply-side reform in environmental protection industry**

On November 10, 2015, General Secretary Xi Jinping put forward the concept of “supply-side structural reform” for the first time at the meeting of the central leading group for finance and economics, and again stressed the need to “cultivate and form new supply drivers” at the executive meeting of the state council on November 11, 2015. In the context of the “four drops and one rise” of the domestic economy, structural reform is imminent. It is of great significance to comprehensively deepen reform to adapt to the new demand through supply-side reform in time and fundamentally rely on supply-side to promote economic circular development [2].

The implementation of the supply-side reform has brought new opportunities for the growth of China's environmental protection industry. Strengthening ecological and environmental protection is not only to meet the needs of our own economic development, but also for future generations. Under the new circumstances of the current economic development, China's ecological and environmental problems must not follow the path of “pollution first, treatment later” in developed countries, and we must fully realize that ecological and environmental protection is not an independent issue, but a comprehensive issue in all aspects of politics, economy and society. And the “externality” of environmental pollution makes it difficult to carry out environmental protection work effectively. Environmental issues, the essence of which is how the economy circulates sustainable development, the ultimate goal is to ensure the green Qingshan under the premise of obtaining mountains of gold and silver. Supply-side structural reform should consider including environmental resources in the production factors of economic development, and shift the goal of supply-side reform to the Environmental Protection industry. In the notice issued by the State Council on the 13th Five-Year Plan for Ecological Environmental Protection, it was clearly stated that the construction of ecological civilization should be promoted as a national strategy, and that the pressure on the ecological environment should be reduced by 2020 and the emissions of industrial waste should be drastically reduced.

After more than ten years of rapid development, China has entered the era of great environmental protection, environmental protection industry as a whole into

the growth period. The provinces have not only stepped up supervision over the discharge of various pollutants, but also formulated relevant emission reduction policies to control the consumption of fossil energy according to local conditions, and strived to promote the vigorous development of efficient ecological and environmental protection industries. As of April 22, 2017, a total of 2,082 black and smelly water bodies had been checked and confirmed in 224 cities at the Prefectural level and above, of which 34.9 percent had completed remediation, 28.4 percent were under remediation, 22.8 percent were in the pre-project phase, and others were studying and formulating remediation plans. For example, in Qinghai Province, through the investigation and social publicity, 26 black and smelly water bodies identified in the construction area of Xining City have all been rectified and 100% of the remediation has been completed.

Despite the supply side reform and the “three action plans”, the Environmental Protection industry has a promising future, and the reciprocity between environmental protection and economic growth has gradually increased. However, the environmental pressure in various provinces is still increasing, and the urgency of environmental protection in China has not changed. In order to further control ecological environmental pollution, environmental supervision must be continuously strengthened to implement the supply-side reform of environmental protection industries [3]. In addition, we should establish a sound and fair market environment and incentive mechanism, use financial support, scientific and technological research and development to promote the substantial development of the Environmental Protection industry in various ways, and ensure the effective implementation of supply-side reforms [4].

### **3. Understanding the importance of supply-side reform on the financial side**

At the macro level, the five major tasks on the supply side are “decapacity, inventory, leverage, cost reduction, and short-selling”. Among them, “capacity removal” is a top priority, especially backward production capacity. Overcapacity, will bring low prices sales, resulting in a vicious circle of price competition, affecting the smooth and healthy operation of the market. In addition, it should be noted that the current national economy faces two major difficulties: housing inventory and high debt.

Therefore, on the one hand, we should increase housing demand by continuously increasing the urbanization rate and vigorously promote the construction of subsidized housing. At the same time, different regions and cities should formulate relevant policies according to local conditions to limit speculation in the housing market. On the other hand, for the problem of high corporate debt, it is necessary to reform the supply-side structure on the financial side and strive to reduce the institutional costs of enterprises to improve their production efficiency.

From the perspective of overall development, how to seize the historic opportunity of supply-side reform in financial development depends on whether the financial loan mechanism can carry out effective structural reform. Supply-side

reform of financial end is an important practice and innovation of economic development in the new period. Under the background of supply-side reform, relying on financial means and improving the financial service system, it can promote the smooth implementation of “three go, one drop and one complement”. For example, as far as capacity is concerned, through structural reform of financial debt, we will properly deal with the problems of job placement and corporate debt, so as to maintain social stability; In terms of inventory removal, we need to increase the level of financial inclusion in the region, increase financial support, increase the purchasing power of residential housing, strengthen financial supervision, curb speculative housing speculation, and formulate local financial supporting policies according to local conditions, so as to finally achieve real estate inventory removal. In terms of deleveraging, the core problem is that the financial leverage is too high. Due to the low return rate of the real economy, a large outflow of liquidity funds has seriously affected the healthy development of China's economy. It is important for the stability of the housing market to build a sound and rational financial system, maintain a low risk leverage ratio, and continuously guide the transfer of liquidity funds to the real economy [5]; As far as cost reduction is concerned, by reducing the financial cost of the whole society, it will indirectly reduce the production cost of enterprises, which is conducive to improving the vitality of enterprises and market competitiveness, and can create a good market competitive environment for enterprises, thus driving the vigorous development of the entire market economy.

In addition, it should be noted that the significant reduction in the cost of financing has an important role in promoting R&D and innovation in enterprises. Supply-side structural reform also requires enterprises to carry out reasonable and effective scientific and technological innovation [6]; As far as making up for shortcomings, by building a scientific and reasonable financial system, increasing financial support for enterprises, indirectly improving the financial efficiency of the entire society, and taking a healthy financial market as a bridge. Not only can it effectively make up for the shortcomings in industrial economy and environmental construction brought about by the backwardness of social mechanisms, but it can also effectively make up for the shortcomings in the people's livelihood security and insufficient consumption caused by the shortage of supply and administrative monopoly.

Remarks on General Secretary Xi Jinping's Speech at the National Financial Work Conference, we must follow the law of financial development to push forward the supply-side reform of finance. We should comprehensively examine the various heterogeneity of different provinces and regions in terms of their level of economic development, living standards and ecological environment, and adopt supporting policies based on local conditions, taking inclusive financial development as the starting point. At the same time, with the center of the financially developed city center or provincial capital, it continuously provides better financial services to neighboring cities, promotes the overall development of local finance in an all-round way, and deeply recognizes that the improvement of the level of financial services is an important driving force for the development of the real economy [7].

#### **4. Promoting efficient ecological development with financial development under supply-side reform**

Under the background of supply side reform, we must deeply understand the great driving effect of financial development on environmental protection industry. We will closely link financial development with ecological and environmental protection, put it into the strategic layout of socialist economic development with Chinese characteristics, and deepen the reform of the financial system in an all-round way.

As China's economy continues to develop, the degree of industrialization continues to deepen, and the environmental pressure in various provinces gradually increases, severely constraining the circular development of the economy. In order to curb environmental pollution, we should base on the current economic situation, make rational use of financial means, promote the development of green and environmental protection industries, and continuously improve the financing convenience of enterprises to promote the development of clean and green enterprises. At the same time, with the rapid development of inclusive finance in our country, various changes will take place in the mode of economic development, technology research and development, industrial structure and residents living environment, so that finance can curb environmental pollution from all aspects of society [8]. Each province should not only perfect the financial service system, but also formulate the scientific and reasonable environmental protection policy. We will improve the regional financial services system through the overall development of the financial sector, continue to push forward supply-side reforms in the financial sector, and provide adequate financial support to the Environmental Protection Industry. While promoting the green development of the economy, we will gradually reduce environmental pressure and promote the coordinated development of the economy and the environment.

At present, the integration of China's financial industry and environmental protection industry is relatively low. While continuously improving the level of financial development, we must increase the supervision of relevant financing channels and combine weight and quality. In addition, we need to improve the financial distribution across the country, not only to break the financial development gap between different regions and provinces, but also to establish a financial development system that conforms to the concept of green and environmental protection. Making financial led economic development more effective in reducing environmental pressures [9].

In particular, regional financial institutions should give full consideration to the problem of capital flow in the local environmental protection industry, vigorously promote the construction of a green financial mechanism, and build a complete green financial service system as a whole [10]. At the same time, in the context of supply-side reform, we will seize the opportunity to transform our economy from high growth to medium-and high-speed growth, so that green finance can drive new economic growth points. For example, new energy and green and low-carbon

industries, while providing convenient financing channels for the development of the real economy, continue to increase the proportion of the environment-friendly economy in the gross domestic product, so that the real economy can develop healthily and sustainably. While the banking industry is developing various green financial instruments, the government also needs to continuously guide and issue various preferential policies to improve the incentive mechanism for green financial development [11]. Local governments must consider financial development from the point of view of micro and small enterprises, and financial development policies need to be in line with the current economic situation in the context of the supply side. Their development can not be blindly supported in order to reduce differences with other regions or pursue short-term economic growth brought about by finance. On the other hand, while using financial policies to enhance the accessibility of financing for local enterprises, the government should integrate the concept of green and environmental protection into the development plans of local enterprises so that enterprises, with the support of the government, can improve their own management level and increase their investment in technology research and development. Improve the efficiency of the use of funds and ultimately reduce environmental pressure [12].

## 5. Conclusion

From the above analysis, it can be seen that the Environmental Protection Industry is obviously different from the previous manufacturing industry and service industry. The lack of financial support and the lack of targeted government policies are the main obstacles. Local governments must reduce the frequency of adjustment of financial policies. They must not adjust local financial policies frequently for the current economic development. They must ensure the stability of policies and formulate long-term financial development plans based on the concept of environmental protection. The economic situation of various provinces and regions in China is very different. We must fully recognize the inseparable relationship between regional financial development and environmental protection industries, deeply understand the importance and urgency of environmental protection, and unswervingly promote the healthy development of efficient ecology from the financial side under the background of supply side reform.

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