



Financial Support for the Development of Chinese Cultural Industry: Issues and Recommendations

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Abstract. In recent years, with the continuous development of China's economic level, China's cultural industry has also flourished. Based on literature analysis and data compilation, this paper examines the bottleneck and influence of China's financial support for the development of cultural industry, and proposes corresponding policy recommendations. We find that the current cultural industry suffers from a lack of collateral for financial support, insufficient effective linkage, insufficient integration, and a rigid management system. Based on this, this paper argues that the government should strengthen financial support for the development of cultural industries, introduce preferential measures, actively develop credit products adapted to the characteristics of cultural products, establish a multi-level financial support system, and increase policy supply to make China's cultural industries better and stronger.

Keywords: cultural industry, financial support, economic development, China

1 Introduction

Since the 18th CPC National Congress, the Party Central Committee, with Comrade Xi Jinping as the core, has repeatedly mentioned "improving the modern cultural industry system" and incorporated the modern cultural industry system into the new framework of "enhancing the national cultural soft power" and "promoting the construction of a socialist cultural power". Incompatible with the growing economy, China's cultural industry is currently suffering from an imbalanced industrial structure, imperfect governance of the cultural market, and unequal consumption of cultural entertainment. As the core of modern economy, finance can regulate economic operations by guiding the allocation of credit resources, optimizing the role of resource allocation and improving economic efficiency. China is traditionally a cultural power, and with its rapid economic growth, the development of its cultural industry is increasingly mismatched with its overall economic strength, while culture is important for the country's soft power and for improving the spiritual quality of people's lives and happiness. In 2019 China's cultural industry reached a value-added

of 4.5 trillion, accounting for 4.54% of GDP (National Bureau of Statistics, 2020), which, compared to developed countries, there is still a huge growth potential.

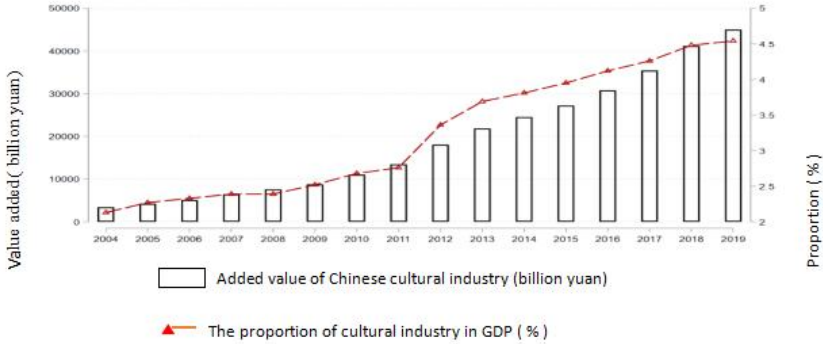


Fig. 1. Development of Chinese cultural industry: 2004-2019

Therefore, it is of great significance to discuss how to give full play to the role of financial support for the development of cultural industry, in order to further improve the competitiveness of cultural industry and promote economic transformation and development. So what is the current situation of financial support in the development of China's cultural industry? What are the bottlenecks affecting the financial support for cultural industry? By studying the outstanding problems of financial support for the development of cultural industry and analyzing the important bottlenecks that exist at present in depth, this paper gives relevant suggestions to expand the theories related to the influence of financial factor allocation on the development of cultural industry and provide intellectual support for the relevant departments to formulate.

2 Literature Review

Economic base is the foundation of all industries' development, as a virtual value commodity, culture cannot produce value without financial support. In the literature, scholars have studied the problems existing in China's modern cultural industry system, the importance of financial support for the development of cultural industry, the existing deficiencies and bottlenecks, and the future development direction. Xu Pengcheng [1] (2016) China's cultural industry development started late and has a weak foundation, with insufficient financial supply, unreasonable supply structure, and efficiency and quality to be further improved. The modern cultural industry system is found to have structural contradictions in industrial development, mismatch of cultural industry elements, imperfect cultural market governance mechanisms, and the risk of being locked into the low end of the global cultural industry value chain (Gu Jiang et al., 2021) [2]. The cultural industry carries the nature of both a knowledge-intensive industry and a capital-intensive industry, and to achieve economic benefits and improve industrial competitiveness, it is inseparable from the economies of scale effect of large industrial groups and requires a developed financial

market as support (Yuan, 2020). Zhao Wei [3] (2017) points out that there are currently constraints in China's financial support for the development of cultural industries, such as the lack of effective collateral, the difficulty of product risk assessment, the rigidity of commercial bank management, and the inadequacy of relevant supporting policies and services. In supporting the development of cultural industry, financial mismatch is obvious and brings inefficiency due to institutional policies and other factors, mainly in two aspects: First, the development of China's capital market is relatively lagging slowly, and the overall efficiency of capital allocation in the cultural industry is not high. Second, the phenomenon of "ownership discrimination" is widespread in the cultural industry, which leads to a mismatch of financial factors and inefficient capital allocation (Gu Jiang et al., 2018) [4]. Currently, small and micro cultural enterprises account for more than 80% of the total number of cultural enterprises in China, they need funds but are difficult and expensive to finance (Gu Jiang and Che Shulin, 2017) [5], while large state-owned cultural enterprises are often well-capitalized but still favored by financial institutions, resulting in a significant mismatch of capital and financial factors (Gu Jiang et al., 2021) [2]. In response to the current problem of insufficient financial support for China's cultural industry, Zhu Erxi (2015) [6] proposed that China's financial loan structure is not conducive to the development of the cultural industry, and there is an urgent need to increase the proportion of loans to the cultural industry in all bank loans through the transformation and upgrading of the credit structure, and the task of promoting the balanced development of regional cultural industries is heavy, and it is appropriate to adopt differentiated financial support policies for different regions.

The above studies provide different perspectives on financial support for the development of cultural industry, and lay a good foundation for further research on providing financial factor allocation to promote the development of cultural industry. However, there are still some shortcomings in the existing studies; many studies analyze the financial support for cultural industry from the provincial level, lacking global analysis, and many studies lack rigorous data support, and their conclusions are open to question. This study investigates the bottlenecks and problems of current financial support for the development of cultural industry in China through literature and current situation analysis. Find that due to its attributes, the cultural industry has insufficient effective integration with capital, and there are problems of financial support as well as mismatch of factors due to the lack of effective collateral security and insufficient incentives from financial institutions, and brings a series of adverse effects, and the quality and scale of China's cultural industry need to be further improved.

The contribution of this paper is that based on literature analysis and data collation, this paper studies the financial support policy of China's cultural industry from both theoretical and practical aspects, puts forward the current deficiencies and their impacts, and provides policy recommendations.

3 The Obstacles and Effects of China 'S Financial Support for the Development of Cultural Industry

This section further analyzes the manifestations of the impacts arising from the inadequate financial support for cultural industries in terms of the obstacles to the development of financial support for cultural industries.

Currently, Chinese financial institutions do not attach importance to the cultural industry and financial support is insufficient. In 2010, the Central Propaganda Department and other nine ministries and commissions jointly issued the "Guidance on Financial Support for the Revitalization and Development and Prosperity of the Cultural Industry", which provided policy support for the integration of financial capital and the cultural industry. However, according to the "2014 China Banking Social Responsibility Report" issued by the China Banking Association, the cultural industry received a total of 532.8 billion yuan in loans, with the total amount accounting for only 0.6% of the total loan balance of 86.8 trillion yuan and 5.4% of all new loans of 978 billion yuan that year. Compared with other industries, the cultural industry has received relatively few financial resources.

3.1 The Main Obstacles to Financial Support for the Development of Cultural Industries

3.1.1 Lack of Effective Collateral and Difficulty in Product Risk Assessment.

Almost all cultural enterprises are small and medium-sized enterprises with little registered capital, and their core assets are mainly intangible assets such as intellectual property rights, copyrights, trademark rights and charging rights, and they generally lack widely recognized collateral such as land, plants, equipment and vehicles. Due to the lack of authoritative intangible assets evaluation institutions, banks themselves also lack professionals and mature evaluation methods in this field. Once the risk of intangible assets loans occurs, it is difficult to deal with pledges and realize them. In addition, cultural enterprises in the early stage of their business often lack stable cash flow, have high operating risks and are difficult to evaluate quantitatively in terms of expected income, thus resulting in the lack of enthusiasm of banking institutions for credit allocation to cultural enterprises that lack effective collateral. Unlike homogeneous manufacturing products, cultural products often lack uniform standards and have unique varieties and categories, making pricing more difficult. Most cultural products are intangible products whose value is difficult to assess, and financial institutions are unable to provide effective financial support.

3.1.2 Lack of Effective Linkage between Cultural Industry and Financial Institutions.

On the one hand, China's cultural industry started late and has not yet accumulated and formed rich data resources, while financial institutions are relatively conservative and lack the initiative to dovetail with the cultural industry as they do not know enough about the attributes, characteristics and profitability of the cultural industry.

On the other hand, financial institutions prefer large enterprises with strong profitability and high loan thresholds, while cultural enterprises generally lack corresponding fixed assets such as land and plants, and it is difficult to apply traditional enterprise mortgage loan valuation, and their risks are difficult to determine, which is not conducive to financial institutions to provide loans. Finally, the weak innovation in the cultural industry leads to insufficient stability of product returns and limited repayment capacity, which is not conducive to the financial industry to provide long-term loans, resulting in a lack of motivation for financial institutions to interact.

3.1.3 The Attributes of Cultural Enterprises Hinder the Integration with Financial Capital.

Cultural enterprises often have dual attributes: on the one hand, they are important carriers of spiritual civilization construction, with political and ideological attributes; on the other hand, they are creators of material civilization, with economic attributes. In addition, China's cultural system reform started late, and many cultural enterprises are still in the process of "enterprise restructuring", which further increases the complexity of the cultural industry. Financial capital, on the other hand, attaches more importance to the economic attributes of enterprises, and often lacks the motivation to integrate with cultural enterprises for cultural products that do not bring sufficient expected revenue.

3.1.4 Rigid System Management, Policy Support System is not Perfect.

Financial enterprises such as banks are mostly state-owned in nature, the mechanism is not flexible enough, on the conservative financial credit, credit support prefer large state-owned enterprises, and cultural enterprises are mostly small and medium-sized enterprises, wind uncertain factors such as the lack of supply of financial enterprise system. Due to the late start in the field of culture, the current legislation related to the field of culture is not much, fewer laws and regulations related to the development of cultural industries, not to meet the needs of industrial development, the lack of appropriate protection system, is not conducive to the further integration of cultural industries and financial capital.

3.2 The Impact of Insufficient Financial Support for Cultural Industry

Insufficient financial support for the development of cultural industry has caused some problems in the cultural industry itself and externally, which are highlighted in several aspects.

3.2.1 Uneven Development of Cultural Industry between Urban and Rural Areas, and Uneven Consumption of Culture and Entertainment Among Residents are Prominent.

On the one hand, there is a huge gap in cultural and entertainment consumption between provinces, for example, the per capita entertainment consumption expenditure in Beijing and Shanghai is 2,272 yuan and 2,898 yuan respectively in 2019, while the per capita entertainment consumption expenditure in Yunnan Province and Gansu Province in the western region is 550 yuan and 470 yuan respectively. On the other hand, there is a huge gap in cultural and entertainment consumption expenditure between urban and rural areas. Data show that in 2019, the proportion of cultural and entertainment consumption expenditure of urban residents was 4.6%, and the per capita entertainment consumption expenditure of urban residents was 1,291 yuan, while the cultural and entertainment consumption expenditure of rural residents accounted for only 2.2%, and the per capita entertainment consumption expenditure in rural areas was only 289 yuan. And, less than half of urban residents, which is not only due to the urban-rural income gap, but also from the huge inequality of investment in cultural industry between urban and rural areas.

Table 1. Per capita cultural and entertainment consumption expenditure of residents by region (2019)

	National		Urban residents		Rural residents	
	Per capita consumption expenditure	Cultural and entertainment consumption	Per capita consumption expenditure	Cultural and entertainment consumption	Per capita consumption expenditure	Cultural and entertainment consumption
National	21559	849	28063	1291	13328	289
Beijing	43038	2272	46358	2523	21881	672
Tianjin	31854	1579	34811	1834	17843	369
Hebei	17987	656	23483	1032	12372	271
Shanxi	15863	667	21159	1068	9728	203
inner mongoli	2074	742	25383	1055	13816	275

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Liaoning	22203	1056	27355	1449	12030	282
Jilin	18075	663	23394	980	11457	268
heilongjiang	18111	610	22165	862	12495	260
Shanghai	45605	2898	48272	3156	22449	654
Jiangsu	26697	1120	31329	1474	17716	433
Zhejiang	32026	1367	37508	1782	21352	559
Anhui	19137	606	23782	919	14546	297
Fujian	25314	789	30946	1075	16281	329
Jiangxi	17650	576	22714	895	12497	251
Shandong	20427	787	26731	1197	12309	259
Henan	16332	539	21972	902	11546	231
Hubei	21567	734	26422	1046	15328	334
Hunan	20479	1040	26924	1694	13969	379
Guangdong	28995	1216	34424	1565	16949	442
Guangxi	16418	495	21591	830	12045	211
Hainan	1955	512	2531	730	12418	242

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Chongqing	20774	790	25785	1152	13112	238
Sichuan	19338	642	25367	1018	14056	313
Guizhou	14780	484	21402	884	10222	208
Yunnan	15780	550	23455	1072	10260	174
Tibet	13029	200	25637	543	8418	74
Shaanxi	17465	692	23514	1148	10935	199
Gansu	15879	470	24454	915	9694	150
Qinghai	17545	606	23799	1037	11343	179
Ningxia	18297	767	24161	1226	11465	232
Xinjiang	17397	481	25594	903	10318	117

According to the 2020 China Cultural Industry Statistical Yearbook, there is a large gap in the value added of its cultural industry between different regions due to differences in financial support, with higher value added of cultural industry in developed northeastern regions and limited development of cultural industry in central and western regions with rich cultural resources, resulting in a low proportion of cultural output in GDP (Figure 2). This difference in the value added of cultural industries between regions is mainly due to insufficient support or mismatch of financial and credit resources.

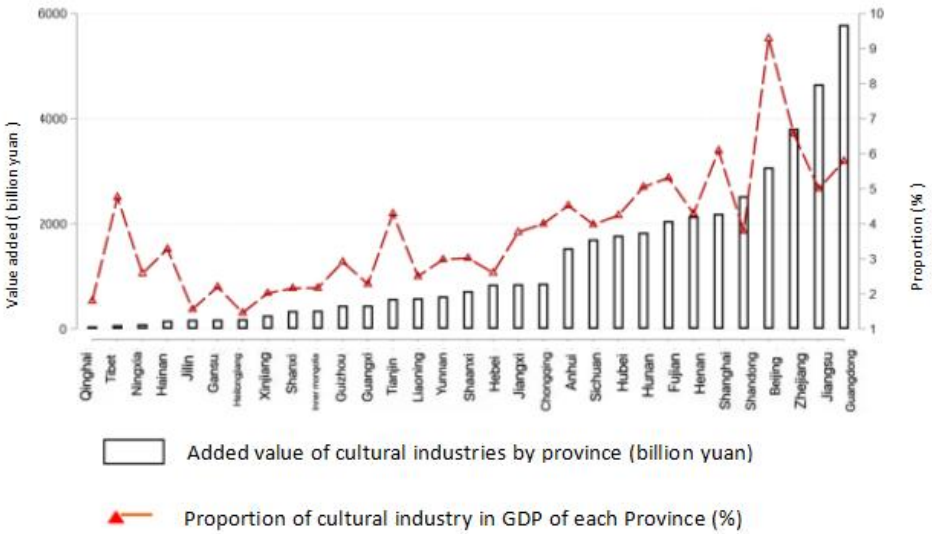


Fig. 2. Value added and proportion of cultural industries by province in 2018

3.2.2 Cultural Enterprises Operate with Low Efficiency, Lack of Competitiveness and Low Profitability.

As a whole, there is a gap between Chinese cultural enterprises in terms of innovation and richness of cultural products compared to developed countries such as the United States (Hollywood) and Japan, and the reason behind this is the lack of sufficient financial support. Due to the lack of effective financial support and insufficient incentives for the cultural industry itself, cultural enterprises lack constraints and incentives in corporate governance, business operations, and their reforms, resulting in their low efficiency due to insufficient external incentives. Due to the low operational efficiency, cultural enterprises lack of competitiveness.

3.2.3 Lack of Cultural Industry Innovation and Product is not Rich Enough.

Financial support is an important guarantee for the innovation of cultural industry and cultural products. Due to the lack of effective financial support for the financial industry, innovation in the cultural industry will result in insufficient output of new products, new models, etc. due to insufficient funds and low R&D, and its lack of innovation. Which leads to further reduction of the reputation and profitability of enterprises and reduces the investment interest of financial institutions.

4 Policy Recommendations on Financial Support for Cultural Industry Development

4.1 Introduce and Implement Corresponding Preferential Measures and Incentive Policies.

Due to its attributes, the cultural industry has a long investment return cycle and high risk, and financial institutions themselves lack sufficient incentives to provide credit support, so government agencies can establish a special support fund for the cultural industry and a risk compensation fund for the cultural industry. The losses caused by financial institutions' loans or investments to cultural enterprises will be compensated within the amount of special risk reserve through special incentives and risk subsidies to reduce the investment risks of financial institutions in supporting cultural industries.

4.2 Actively Develop Credit Products and Crediting Models Suitable for the Characteristics of Cultural Industries.

Because cultural products are often intangible, the degree of product homogeneity is low, the value evaluation is difficult, and it is difficult to form an effective connection with the assets of financial institutions. Therefore, it is necessary to develop specific credit products according to their characteristics, innovate the credit model of cultural industry enterprises, and improve financial support.

4.3 Improve the Capital Market and Establish a Diversified Financial Support System

In the new development stage, the national industrial restructuring emphasizes "advance and retreat", so it is necessary to seize the opportunity of "advance" and encourage all kinds of capital to enter the cultural industry in various ways by formulating various preferential policies to realize the diversification of investment. By creating a fair, open and just investment environment, encouraging non-public capital to enter the cultural industry investment, guiding non-public capital to enter the cultural industry according to the principle of "who invests, who owns and who benefits", and establishing a diversified financial support system to jointly promote the long-term sustainable development of the cultural industry.

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