

A Brief Analysis of Financial Support to Chinese Cultural Industry Development

Hong Xiao

Institute of Industrial Economics, Jiangxi University of Finance and Economics, Nanchang, China

Email: shower711@qq.com

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Abstract

Financial support for the development of cultural industry is the policy guidance of Chinese governments at all levels recently, while the cultural financial support policy appeared under the circumstances. The purpose of the policy is to accelerate the development of cultural enterprises by using financial instruments, through speeding up the matching process of financial capital and cultural enterprises' financial service requirements. This paper analyzes the background of the policy which supports the development of cultural industry, investigates the present situation of how financial institutions support cultural industry, and finally promotes the feasible path for financial institutions to engaging in cultural industry by financial support policies.

Keywords

Finance, The Cultural Industry, Business Path

1. Introduction

Cultural industry in this article refers to the production and supply of spiritual products as the main activities to meet people's cultural needs as the goal, and is the cultural meaning of their creation and sales. And financial support usually refers to the role of financial capital to support economic development. Under the circumstances of economic structure strategic adjustment, the cultural industry is increasingly valued by government, and gradually becomes the emerging economic growth point. Finance is the core of modern economy. During the development of modern industry, resource allocation of financial system plays a key role. Cultural industry as a result of the characteristics of light assets, accesses to little financial support. In recent years, China attaches great importance to the use of financial capital to support the development of cultural industries. After the Third Plenary Session of the 18 CPC Central Committee proposed "to

encourage the financial capital, social capital, cultural resources”, the Central Propaganda Department, the People’s Bank of China, the Ministry of Finance issued by the nine ministries and commissions such as April 2010 on “the financial support of cultural industry to promote the prosperity and development guidance”, the Ministry of Culture, the People’s Bank of China, Ministry of Finance released in March 2014 “about the opinions of the deepening financial cooperation culture” [1], respectively, to encourage financial institutions to support the development of cultural industry (hereinafter referred to as the “cultural financial support”) has made a specific plan and arrangement. This paper analyzes the background of the policy which supports the development of cultural industry, investigates the present situation of how financial institutions support cultural industry, and finally promotes the feasible path for financial institutions to engaging in cultural industry by financial support policies.

2. The Background of Nation Encourages Financial Support to the Cultural Industry

The transformation of economic structure, the reform of fiscal and taxation system and the rapid development of cultural industry itself are the important events connected with encouraging the financial support to cultural industry. It is the right time to promote financial support to cultural industry when those events occurred together.

2.1. Important Measures of Optimizing Resource Allocation during Economic Structural Transformation

After the world economic crisis in 2008, the underlying contradiction appears gradually during China’s economic development, and extensive and investment-driven economic growth became more difficult to sustain. In July 2009, following the promulgation of the top 10 industrial revitalization plans such as iron and steel, automobile and textile, the “Cultural Industry Promotion Plan” was deliberated and approved by the executive meeting of the State Council [2]. It indicated the rise of the cultural industry as a national strategic industry. The cultural industry, such as film and television production, publishing and publishing, printing and reproduction, advertising, entertainment, cultural exhibition, digital content and animation and other industry has become a new growth point in the strategic adjustment of economic structure.

A successful transformation of the entity economy requires the leadership of both cultural industry and financial industry. Through the financial system, high energy consumption and high pollution industries can be transferred to cultural industry by optimizing the allocation of resources. Since the 18th CPC National Congress, “Directional regulation, precisely action” became the main way of macro-control which strictly controls the scale of credit; thereby the mismatch capital would transfer to upgraded and much-needed areas. Encouraging financial support to cultural industry is the directional regulation in the cultural domain which allows government to reward both supply and demand sides with

funds; therefore reallocating mismatched capital back to reasonable environments.

2.2. The Only Way to Industrial Policy under the Constraint of Fiscal and Taxation Reform

In June 2014, “the overall program to deepen political reform of fiscal and taxation system” was issued by national politburo meeting. In August 2014, the twelfth National People’s Congress Standing Committee of the Tenth Vote adopted the “National People’s Congress on the revision of the” Budget Law “Decision”, the revised “Budget Law” in January 1, 2015 from the official implementation. The reform program and the adoption of the legal system and amendments, shows that China’s fiscal and taxation system reform has entered a crucial stage. According to the central arrangement, 2020 will basically establish a modern financial system. Under this clear reform goal, it is of great interest to improve the utilization of fiscal funds and to improve the efficiency of fiscal fund utilization. July 18, 2014, Hunan Provincial Department of Finance took the lead in opening the annual provincial budget for 2014, 116 special funds to be open [3]. It is foreseeable that with the new “Budget Law” in-depth implementation of the future provinces (cities) and the relevant government agencies to open annual budget or become the norm. How to achieve effective governance at the same time reduce financial expenditure? It has become the Government must seriously consider the issue.

Experience in developed economies suggests that a viable way to reduce government spending without affecting the effectiveness of policies is to release the dynamism of social capital and to play a role in the achievement of public policy objectives. Industrial policy, as an important part of public policy, applies to this idea as well. In terms of the cultural industry, the government makes the past high amount of subsidies for cultural industry projects apart, in order to perform incentives and other ways to guide and encourage more financial institutions and cultural enterprises docking in the promotion of related projects successfully put into operation. While reducing the financial burden, and ultimately the formation of cultural enterprises, financial institutions and the government’s “win-win” pattern. Therefore, as a classic model of government and market cooperation, encouraging financial institutions to support the development of cultural industry is the only way of government tax reform under the constraints of total goals.

2.3. The Development of Cultural Industries in the Development of Their Own Real Needs

Neither the structural transformation of the optimal allocation of resources nor the overall goal of fiscal and taxation to implement industrial support, the logic of thinking is the starting point by government. The law of industrial development shows that the process of merging and reorganizing of enterprises it is the industry matured process. However financial markets and financial instruments

are necessary for enterprises to carry out mergers and acquisitions. In a sense, the combination of financial capital and cultural industries is the priority of cultural enterprises which needs to be bigger and stronger. At present, the nation is stepping up efforts to further liberalize the access standards for foreign investment, focusing opening up of the service sectors orderly, such as finance, education, culture and medical care. This shows that foreign capital into the cultural field will be more convenient. Domestic cultural enterprises should speed up the merging and reorganizing, to withstand the challenge of international capital.

From the birth of the silent film in 1896 to the rise of the Internet around 2000, the development of each cultural media industry was accompanied by large-scale development of M & A restructuring. The empirical data also shows that every wave of mergers and acquisitions in the cultural media industry was occurring after a global economic downturn. This situation roughly depicts the cultural industry in previous economic downturn has been emerging as an emerging economic growth point to cultivate the historical picture, which is similar to the situation in China. China is in a period of economic transition, the traditional manufacturing industry is declining, it is the golden age of cultural industry development. Historical dimension also shows that it meets the needs of cultural enterprises which the government advocates financial institutions to support the development of cultural industry.

3. The Current Problems of Financial Supporting in the Cultural Industry

In China, there was a debate of supporting the development of cultural industries by financial system, and it was carried out in recent years. Since the publication of the Cultural Industry Revitalization Plan in 2009, various ministries and commissions have introduced a large number of policies to graft cultural industries and financial institutions, and have made certain achievements in promoting financial capital to support the development of cultural industries. However, influenced by factors such as the top-level design, the completeness of the policy system, the discourse discrepancy of the industry and the traditional business model of the cultural industry, cultural enterprises still have some problems to be solved in the cooperation with the financial institutions.

3.1. Micro-Innovation Activities Restricted to the Absence of Government Top-Level Design

Throughout the industrial policy practice of developed economies, financial support to cultural industry can be embodied in the incentive measures as well as the respect and inclusion of the financial innovation of market players. In China, the former has a certain foundation, a multi-level, wide-ranging financial support system is gradually taking shape (see **Table 1**). But the progress of the latter is not satisfactory, and some of the innovative behavior of market players are not recognized by the relevant laws and regulations which is a very awkward position.

Table 1. List of policies related to financial support to cultural industries (As of November 2016).

Serial number	Policy initiatives	Affiliation
1	The central cultural industry development special fund “cultural financial support plan”	The Ministry of Culture Secretary
2	Press and Publication Industry Investment and Financing Project	Press and Publication Administration of Radio, Film and Television
3	Cultural and financial cooperation project library (credit financing); Cultural and Financial Cooperation Program (Bond Financing)	Ministry of Culture, Ministry of Finance
4	Provincial (city) level cultural industry development special fund	The provincial (city) Committee Propaganda Department
5	Provincial (city) level of strategic emerging industries science and technology collaborative innovation body R & D support funds (low-interest loans)	Provincial (city) Science and Technology Department (bureau)

Note: Financial, new broad, culture, science and technology and other functional departments or on the basis of the original policy to increase cultural and financial incentives to support, or are actively building the mouth of the cultural industry investment and financing project reserves, cultural enterprises to promote the use of financial instruments Project implementation to be a high degree of concern.

The financial innovation of market players is important, because such innovation represents the most realistic and most urgent needs of the financial system which is belonged to the field of market self-improvement. If these needs can be responses from government departments and into the regulatory system, would stimulate huge market vitality. In contrast to the financial and cultural industries, the innovation of these two areas has not been enough attention. For example, China’s Internet companies which still in the use of public-funded publishing, on-demand publishing and other foreign business model, are still constrained. It hindered the cultural enterprises to promote the use of financial instruments to build the project. In fact, publishing based on the crowd-funding and supply-demand publishing are innovation initiatives. There is a must to carry out these measures to solve the problem of the light asset financing difficulties and project financing issues. But this model is still difficult to be widely used in practice currently due to the regulatory system.

3.2. Encourage Policy Imperfections Affect the Docking of Capital and Cultural

After the “Cultural Industry Promotion Plan” came out, although it had achieved some success under various measures of financial capital and the cultural industry cooperation are carried out. However, according to policy research and analysis, some departments of the policy still exists considerable ambiguity. It caused inconvenience to the cultural enterprise on docking policy and recommending the project. This is mainly reflected in the following aspects.

Firstly, some innovative financial tools are difficult to enforce because of in-

fluence on the innovative financial instruments which are subjected to the traditional system of traditional system and departmental interests. For example, due to the complexity of inter-sectoral interests, it is difficult for some provinces to carry out cultural industry development fund which has been prepared for many years.

Secondly, some of the introduced support policies are difficult to be carried out or playing an effective role due to the details of the formulation have been lagging behind. For example, in the year 2014, the central cultural industry development special fund “cultural financial support plan” sub-item supported a total of 106 projects. In accordance with the Notice, this year, in addition to the loan interest discount, bills, insurance, asset evaluation, audit, policy and legal fees will be regarded as interest subsidy or subsidy object so as to broaden the scope of financial and cultural support program. However, keep track of intention the 106 financial culture support, only 1 item for premium subsidies, 2 items for discounted bills, two categories accounted for 2.83%. The remaining 103 are traditional loans discount, accounting for up to 97.17% [4]. This shows that the competent authorities in the actual implementation of the relevant incentive policies are still concerns, and there is still insufficient strength and other issues while the policy structure is weak. In this context, some support policies have been introduced, but it needs some time before real execution, which is also has a negative impacts on the cultural enterprises to use the relevant policies.

3.3. The Industry Standard Differences Resulting in Dialogue and Communication between the Two Sides Difficult

The traditional credit-oriented business for industrial enterprises is in the mainstream under the investment-driven economic growth model. Therefore, the financial institutions are accustomed to adopt the traditional schemes in the risk assessment standards. The flow of investment-driven economic development model delivers the ongoing leading to lack of innovation power of financial institutions. Cultural industries are light asset-based industries, cannot apply the above-mentioned wind control standards [5].

4. The Suggestion of Financial Institutions into the Cultural Industry with Related Policy

Under the background of continuous development in the domestic cultural industry, financial institutions regard financial support policy as an opportunity in order to speed up the planning and layout in advance, and help to winning advantage on the vigorous development of cultural industry.

4.1. Intensify Cultural and Financial Cooperation Area Dynamic Research

Financial culture began to appear as a separate field when cultural financial support policy was carried out. The central government and many local governments encourage financial institutions to participate in the cultural field con-

struction, support for credit, insurance and other traditional business and the growth of the off-balance sheet business. Besides cultural enterprises loan discount, premium subsidies, financial and financial service subsidy will be included in the scope. At the same time, cultural industry is different from industry and commerce as a new field. There is a need to grasp the risk points which has its own characteristics. Therefore, financial institutions can encourage controlled corporation in a timely manner to understand and follow up all levels of the opening policy. The branch need grasp the policy operating room timely, matching business resources reasonably and provide financial services for enterprises of the local culture. It should expand new areas of business to comply with government policy.

4.2. Explore and Accumulate Potential Good Customer Resources in Cultural Field

The domestic cultural market is experiencing a differentiation along with our country cultivate backbone of cultural enterprises. Under this background, Internet companies, real estate enterprise and the central and local large and medium-sized state-owned cultural enterprises which represent Resource enrichment group have more advantage and potential for cooperation, compared with small and medium-sized cultural enterprises. Financial institutions can actively develop potential customers by business and risk assessment. They can also select a group of large state-owned cultural enterprises or key private enterprise as a potential customer among the publishing of radio, film and television, and other fields [6].

4.3. Appropriate Layout Professional Cultural Financial Business Ecosystem

Financial institutions have been involved in cultural services. We can take advantage and have access to industry if we can mix cultural service industry characteristics with product cycle and customize professional financial services. Cultural bank, cultural products Exchange, cultural assets guarantee agencies are important specialized financial institutions. These will determine the ownership of cultural assets, assessment, credit addition, and financing in the current financial discourse system. Financial institutions rely on their own advantages and find another important path in cultural services. Therefore financial enterprises focus on the domestic cultural asset transactions, financial services, enterprise credit evaluation system construction. And they also participate in assessment, credit addition, transactions through a selectively way. We can consider joint 1 - 2 home central or local high-quality cultural trading intermediary platform, modest financial business professional culture ecological layout, carry out cultural exploration model of underlying financial assets assessment in the future.

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