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## Editorial: Innovation in technologies and business models in China

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China's economic development is changing with trend in each passing day. In the context of the global economic downturn caused by the COVID-19, China's economic development speed and technological progress are obvious to all around the world, which providing a good cultivation soil for technological innovation. In the new China's development stage as well as the new historical position, we need to construct a new development pattern under the guidance of the new development concept. China's economic theory, economic strategy and policy system are all faced with a series of challenges of innovation and development. As a 'national plan' in the new development stage in the future, the new development pattern needs to be studied in-depth from all aspects of theory and practice. At present, the research on the institutional factors that affect the innovation in technologies and business models can not only provide new momentum for the high-quality development of China's economy, but also provide reference for the development of the world economy. Therefore, we introduce several latest studies in this field.

*'Whether the construction of functional zones can improve the economic efficiencies of the industry: an empirical study based on the SFA-Tobit model'*

The concept of 'high-quality development' was first proposed in the Report of the 19th Party Congress, marking the beginning of the transformation of China's development from high speed to high quality. The 2018 Government Work Report once again emphasised the need to adhere to the overall requirements of high-quality development, and to promote the 'five in one' and the 'four comprehensives' to enhance high-quality economic development. In October 2020, the Fifth Plenary Session of the 19th Central Committee of the

Communist Party of China formulated the '14th Five-Year Plan' for China's economic development. This plan states that China's economic development is facing

opportunities and challenges both internationally and domestically. The main body of Economic development must be based on the domestic cycle, while taking into account the promotion of domestic and international dual cycle, and accelerating the construction of a modern economic system. At the same time, adhere to the concept of high-quality development, promote quality reform, efficiency reform and dynamics, and build a new pattern of high-quality economic development.

Integrated development is the main expression of the regional economy, and the regional economy under the concept of high-quality development is the innovative, coordinated, green, open and shared development of the regional economy. The economic benefit of local enterprises is the main measure of regional economic development. One of the inherent requirements of high-quality development of the regional economy is that of the local enterprises. This means the innovative, coordinated, green, open and shared development of enterprises in all local industries. Regional economics believes that the economic benefits of different regions can vary greatly, both in terms of the level of economic development in each region and in the use of resources in each region; it is affected both by the geographical location of different regions and by certain key industries. It is stated in geographic economics that the distance from the central city is negatively correlated with the local economic prosperity, i.e., the farther the distance from the central city, the less economically developed it is. This factor varies from region to region, as well as the key industries and related policies. Therefore, how to promote the integration and development of economic benefits of different industries among regions will be the key issue in this study.

Regional economic benefits will be significantly affected by urbanisation, and related studies have shown that this impact is positive. On the one hand, urbanisation will affect the economic benefits of cities through environmental changes. On the other hand, urbanisation can also promote economic efficiency by accumulating material capital, knowledge capital, and human capital. As a key element of urban construction, functional areas are conducive to the improvement of economic efficiency. Can the construction of functional areas drive the improvement of economic efficiency? Judging from the existing literature, the research results on urban construction and economic benefits are quite abundant, but there are few documents concerning the impact of functional zone construction on economic benefits. Therefore, this study will discuss the reasons for the difference in industry economic benefits based on the perspective of urban functional zones. This article takes four urban areas in Beijing as the research object, and conducts an empirical analysis based on the data of China's fourth economic census in 2018. First, the SFA model is used to measure the economic benefits of various industries in three aspects: labour input, capital input and operating income. Secondly, the spatial heterogeneity of the economic efficiency of wholesale and retail industry and science and technology industry is analysed to compare the size of the difference between the economic efficiency of each region. Finally, based on the spatial perspective with the help of Tobit model, the effect of functional areas on the variability of the economic efficiency of each region is discussed by industry.

This empirical research concludes that:

- 1 The size relationship of the economic benefits of each region presents the distribution characteristics of 'area d > area a > area c > area b'. Among them, area b consists the most labour-intensive industries and area c is mostly capital-intensive industries.

- 2 Among the 16 industry categories investigated in this paper, wholesale and retail have the highest economic benefits; construction industry comes second; transportation, storage and postal services rank third; health and social work have the worst economic returns. The economic benefits of scientific research and technical services are lower than the average of all industries.
- 3 As far as the wholesale and retail industry is concerned, area has the highest economic benefits, indicating the closer to the business functional area the more developed the wholesale and retail trade is. As for scientific research and technical services, area d has the highest economic efficiency, indicating that the closer to the science and technology functional area the more developed the scientific research and technical services is.
- 4 The construction of functional zones does have a significant impact on the economic benefits of some industries. Wholesale and retail industry, construction industry, water conservancy environment and public facilities management industry, leasing and business service industry, culture, sports and entertainment industry, education, scientific research and technical service industry, financial industry's economic benefits will be affected by both science and technology functional areas and business functional areas; electricity, heating, gas and water production and supply, and the economic benefits of the real estate industry will only be significantly affected by the technology functional zone; the economic benefits of manufacturing, information transmission software and information technology services will only be significantly affected by the business functional area.

The Fourth Economic Census of China in 2018 originally collected the micro-level enterprise data. This paper, however, by adding the enterprise data up, this paper gets the regional industry level data. Using the SFA model, this paper measured the economic benefits of various industries. Compared with the previous studies by using GDP data, the conclusions of this research are more about the enterprise level and microscopic. Furthermore, based on the latitude and longitude data, the geographical method is used to measure the distance to the functional area, and the Tobit model is used to examine the impact of the distance on economic benefits of different industries. This research provides a new view of regional economic benefits from the perspective of functional areas, and an empirical basis for regional economy development.

*'Research on the correlation between affiliated management and earnings management – from the perspective of principal-agent theory'*

Since 1980s, earnings management has gradually become an important research topic in the field of corporate governance. Earnings management is the behaviour that managers change some information in financial reports by adjusting accounting profits, and thus mislead the information users to understand the business conditions of enterprises. At the same time, most scholars believe that earnings management behaviour will have an important adverse impact on the quality of accounting information and performance of enterprises, because earnings management whitewashes the information in financial statements, accounting earnings can only reflect the expectations of management, rather than the real performance of the company. Therefore, how to restrain earnings management behaviour of enterprises through effective internal and external governance

has become a hot topic in the field of enterprise management in recent years. At the same time, in the current domestic market, the ownership structure of enterprises is relatively concentrated, the holding share of controlling shareholders is relatively high, and the behaviour of affiliated management is more common. Nearly 63.7% of listed companies have this behaviour during 2014–2018. However, the academic circles have not yet formed a unified conclusion on the economic impact of affiliated management.

Therefore, under the background of China's capital market, what effect does the affiliated management have on the enterprise? As a new internal governance means, can the affiliated management act a powerful role in supervising managers and restraining earnings management behaviour of enterprises? Based on this, this paper explores the relationship between affiliated management (vertical interlocks of executives) and corporate earnings management behaviour from the perspective of major shareholder supervision (the first kind of principal-agent perspective) and major shareholder's profit erosion (the second kind of principal-agent perspective).

In the theoretical analysis level, from the perspective of major shareholder supervision, the conflict of interests and information asymmetry between shareholders and managers lead to the first kind of principal-agent problem. Firstly, shareholders and managers have different value pursuits. Owners pursue more surplus income to maximise shareholder value, while managers pursue higher salary, which leads to adverse selection. At the same time, because operators have more information, the main ways for owners to know the operation and financial status of enterprises are financial statements and audit reports. Therefore, information asymmetry has become a prerequisite for managers to conduct earnings management, and seeking higher salary is their motivation. Based on this, managers can realise their own utility maximisation by selective disclosing or adjusting earnings. Major shareholder units send employees to serve as executives in listed companies or the major shareholders serve as executives themselves in enterprises, which can strengthen the control of listed companies, and effectively supervise other operators of enterprises. At the same time, major shareholders can participate in the daily operation of enterprises and master more accounting information by serving as senior executives. Therefore, based on the perspective of alleviating the first type of principal-agent problem, affiliated management can narrow the information gap between shareholders and operators, thus reduce the space for operators to manipulate earnings. On the other hand, by strengthening the supervision of operators, it can also reduce the chances of earnings manipulation. Therefore, affiliated management can restrain manager's earnings manipulation.

From that perspective of profit erosion of major shareholder, large shareholders and small shareholders have different positions in information acquisition, and large shareholders rely on their own control position to master more accounting information and thus occupy an advantageous position. This information asymmetry phenomenon provides convenient conditions for large shareholders to manipulate accounting information for personal gain. At the same time, the major shareholders pursue the maximisation of their own interests, so they have the motivation to seek higher private interests and profit erosion through earnings manipulation, that is, the second kind of principal-agent problem. Affiliated management makes major shareholders gradually transition from outsiders to insiders. On the one hand, this behaviour enables major shareholders to participate more closely in the operation of enterprises and daily decision-making, so as to grasp more information, which further widen the gap in information acquisition between major shareholders and small shareholders. So the

dominant position of large shareholders is more prominent. On the other hand, with affiliated management, the major shareholders can strengthen their control over listed companies, and the power of them is further strengthened. At this time, the board of directors and shareholders' meeting are in vain in front of the concurrent executives. Therefore, from the perspective of aggravating the second kind of principal-agent problem, the space and opportunities for major shareholders to manipulate earnings are further increased, and the cost of illegal manipulation is further reduced. Thus, they have stronger advantages and motivation to manipulate earnings for personal gain. So affiliated management will enhance the level of accounting earnings manipulation.

In the empirical research level, this paper selects A-share listed companies from 2014 to 2018 as the research objects. For the measurement of earnings management, this paper selects the extended cross-section Jones model, which regards the non-manipulated accrued profit as a function of the net increase of operating income, the original value of fixed assets and the scale of intangible assets and other non-current assets, and then studies the correlation between the affiliated management and the earnings management level of enterprises. Eventually, through the analysis of regression results, it can be found that the correlation coefficient between earnings management and affiliated management is negative and significant at the level of 5%, that is, affiliated management will reduce the information barrier between the owner and the management, alleviate the principal-agent problem between them, and thus inhibit the enterprise's accrued earnings manipulation.

Furthermore, this paper adopts PSM tendency score matching model to solve the endogenous problem, changes the sample period, selects A-share listed companies from 2012 to 2016 as samples and introduces DD model based on operating cash flow measured the earnings management level of enterprises to further verify the robustness of the results. It can be found that affiliated management and earnings management are still negatively correlated, which preliminarily verifies the robustness of benchmark regression results.

Through the comprehensive analysis of theory and demonstration, this paper draws the following conclusions:

- 1 There is a significant negative correlation between affiliated management and the enterprise's earnings manipulation. When there is the behaviour of affiliated management, the major shareholder is transformed from an outsider of corporate governance to an insider, which can effectively alleviate the principal-agent problem between shareholders and management, thus inhibiting the earning management behaviour.
- 2 Because negative earnings management behaviour has a greater impact on the investment efficiency of enterprises and is more likely to attract the attention of shareholders, compared with positive earnings management, affiliated management have a more significant inhibitory effect on negative earnings management.

The article further divides the above earnings management level into positive earnings management and negative earnings management. Through analysis, it can be found that there is a negative correlation between the affiliated management and the negative earnings management, and the coefficient is significant at the level of 5%, however, the impact on positive earnings management behaviour is not significant. The article puts forward the conjecture that, under normal circumstances, negative earnings management

is usually accompanied with the problem of insufficient investment, which affects the development efficiency of enterprises. Therefore, shareholders are more sensitive to the negative earnings management, and then the inhibition of the negative earnings management behaviour of affiliated management is more significant.

This article explores the relationship between affiliated management and corporates' earnings management behaviour in the domestic capital market, and expands and deepens the research on the economic impact of affiliated management and the influencing factors of corporate accounting information quality. The research conclusions of the article show that under the current market environment, affiliated management can play a certain role in restraining corporate earnings management. In contrast, affiliated management has a more significant effect on alleviating the first type of principal-agent problems. The research results of this paper confirm that affiliated management can be used as a means of corporate internal governance. By concurrently serving as a senior manager, major shareholders can have the transition from external to internal in corporate governance, understand the business strategy and financial situation of the enterprise more deeply, reduce the degree of information asymmetry between shareholders and management, and alleviate the first type of principal-agent problem in the enterprise. Therefore, affiliated management can strengthen the supervision of major shareholders over management, and can even serve as an invisible supervision mechanism for shareholders over management, further alleviating the problem of internal controllers, alleviating the current situation of excessive earnings management in enterprises, and improving the quality of externally disclosed information.

*'Analysis of the influence of tax structure on urban innovation: based on panel data analysis of 31 provinces in China'*

Since the tax-sharing reform in 1994, China has established a tax structure with indirect tax as the main body. The ratio of indirect tax revenue to direct tax revenue was 6:4, which is different from the tax structure of developed countries with direct tax as the main body. Innovation is the first power to lead China's development, and the promotion of urban innovation is an important support to strengthen the core competitiveness of cities and build a modern economic system. The research on the interaction between tax structure and urban innovation provides a solution to release the innovation power of the whole society and realise the innovation-driven development, and also provides an effective support for the further improvement of current tax structure. Therefore, this paper uses panel data of 31 provinces in China during 2005–2016 period, establishing a random effect model to analysis the effects of tax structure on urban innovation. This paper finds that the increase in the proportion of indirect tax revenue to total tax revenue will significantly inhibit urban innovation, and the increase in the proportion of direct tax revenue to total tax revenue will significantly promote urban innovation.

The marginal contribution of this paper is as follows: First, this paper broadens the analysis angle of the tax structure, not limited to the influence of the tax structure on economic growth and distributive justice, but analyses the effect of the tax structure on urban innovation, and provides policy suggestions for optimising China's tax structure. Second, this paper refers to the report on China's urban and industrial innovation 2017, published by the China Economic Research Center of Fudan University, taking the urban innovation index as the explanatory variable to measure innovation of each province. The urban innovation index discusses the innovation ability of each province from various

levels such as city, industry and enterprise, and this index is synthesised by innovation index and entrepreneurship index.

More specifically, this paper uses the urban innovation index in the China urban and industrial innovation report 2017 as the dependent variable to measure urban innovation. This index is based on patent data from the State Intellectual Property Office and the enterprise registered capital data from the State Administration for Industry and Commerce. Meanwhile, this paper uses the proportion of indirect tax revenue and direct tax revenue to total tax revenue as the measurement of tax structure. Among them, indirect tax includes value-added tax, business tax and consumption tax, direct tax includes corporate income tax and individual income tax, the calculation formula is as follows: indirect tax ratio = (value-added tax + business tax + consumption tax) / total tax revenue, direct tax ratio = (corporate income tax + individual income tax) / total tax revenue.

According to the empirical results, this paper finds that the increase in the proportion of indirect tax revenue to total tax revenue has a significant inhibitory effect on urban innovation: the proportion of indirect tax revenue to total tax revenue increases by one unit, the urban innovation index will significantly decrease by 8.83, and pass the 1% significance test. After adding control variables, the inhibitory effect is still significant. The proportion of indirect tax revenue to total tax revenue increases by one unit, the urban innovation index will significantly decrease by 3.96 and pass the 1% significance test.

This paper also finds that the increase in the proportion of direct tax revenue to total tax revenue has a significant promoted effect on urban innovation: the proportion of direct tax revenue to total tax revenue increases by one unit, the urban innovation index will significantly increase by 10.38, and pass the 1% significance test. After adding control variables, the promoted effect is still significant. The proportion of direct tax revenue to total tax revenue increases by one unit, the urban innovation index will significantly decrease by 5.34 and pass the 1% significance test.

As for the reverse causation problem, this paper uses the method of explaining the lag of variables to eliminate the current influence, which can avoid the reverse causation of urban innovation on tax structure and reduce the endogenous bias to a certain extent. When the core explanatory variable is one-period lag of the proportion of indirect tax and direct tax revenue to total tax revenue, the proportion of indirect tax revenue to total tax revenue still has a significant inhibitory effect on urban innovation, the proportion of direct tax revenue to total tax revenue still has a significant promoted effect on urban innovation, which shows that the regression result of the basic model in this paper is reliable.

China's regional economic development is uneven, and the rate of the tertiary industry output to GDP varies from region to region, resulting the difference in tax source and tax structure between different regions. Therefore, this paper divides 31 provinces into three regions: eastern region, the middle region and the western region, and analyses the heterogeneity of the effect of tax structure on urban innovation.

The result of heterogeneity analysis show that, the increase in the proportion of indirect tax revenue to total tax revenue inhibits the urban innovation significantly in eastern, the middle and the western region, and the coefficient in eastern region is obviously larger than that in the central and the western region. The increase in the proportion of direct tax revenue to total tax revenue can only promote the urban

innovation in eastern region, but not in the western region, even a significant inhibitory effect in the central region.

From the above study, the dissertation concludes that: first, the increase in the proportion of indirect tax revenue to total tax revenue has a negative effect on urban innovation, and the increase in the proportion of direct tax revenue to total tax revenue has a positive effect on urban innovation. Second, in the heterogeneity analysis, the increase in the proportion of indirect tax revenue to total tax revenue has a negative effect on urban innovation in the eastern, middle and western regions. The increase in the proportion of direct tax revenue to total tax revenue just has a significant positive effect on urban innovation in eastern region, but has no significant effect on urban innovation in the western region, even a significant negative effect in the middle region.

As for the regression result of the basic model, the tax structure with indirect tax as the main body violates the original intention of the market to allocate social resources, and changes the production cost, investment decision and operation strategy of enterprises, enterprises' investment for innovative talents, innovative products and innovative projects is squeezed out generally. Increasing the proportion of direct tax revenue to total tax revenue, giving full play to the effect of corporate income tax on high-tech enterprises, software development enterprises, small and micro enterprises, is a positive guide for enterprises to increase their innovation input and output, and is effective in stimulating their innovation vitality. In addition, the individual income tax reform has adjusted the income distribution, mobilised the enthusiasm of the labour force into the market, and improved the current situation of insufficient supply of high-quality labour force, which has a profound significance to release the innovation of the labour force.

Accordingly, in order to improve the urban innovation, this paper suggests to optimise the tax structure, expand the scale of individual income tax revenue, promote the legislation of real estate tax, and gradually narrow the revenue gap between indirect tax and direct tax in China. Furthermore, this paper suggests the government to strengthen the protection of intellectual property rights, reduce inefficient policy incentives, improve the financial system, and reduce financing constraints for enterprises.

### *'Study on the development of blockchain industry in China'*

In recent years, a new round of scientific and technological revolution and industrial transformation, characterised by accelerated innovation and integration of information technology, is booming. As another high-tech after artificial intelligence, blockchain technology has been applied in many fields, such as internet of things, intelligent manufacturing, supply chain management, digital asset trading, etc., which will bring new opportunities for the development of new generation information technology, such as cloud computing, big data, mobile internet, etc. At the macro level, the healthy development of blockchain technology and industry is of great significance to promote the high-quality development of the economy, enhance the modernisation level of the national governance system and governance capacity. However, like any other emerging technology, issues and challenges arise. This paper will analyse the current status of blockchain technology and industrial development in China, discuss certain constraints, and put forward policy recommendations to promote industrial development.

The method of the combination of empirical economics and normative economics. This paper makes a factual description of the development status of blockchain industries

in China, summarise and draw a conclusion. Based on successful experiences at home and abroad, this paper puts forward some suggestions on promoting the development of blockchain industry in China. Meanwhile, this paper studies the connotation and extension of 'blockchain', with the help that unify history and logic. This paper combines macroscopic with microcosmic and qualitative with quantity active study and try to put forward some practical and helpful policy recommendations to promote industrial development.

The conclusions of this paper include the following points:

- 1 As another high-tech after artificial intelligence, blockchain technology has been applied in many fields, such as internet of things, intelligent manufacturing, supply chain management, digital asset trading, etc., which will bring new opportunities for the development of new generation information technology, such as cloud computing, big data, mobile internet, etc.
- 2 Compared with developed countries, China has the advantages of rich application scenarios, good technology foundation, support of domestic market and relatively inclusive policy environment in the field of blockchain. Firstly, the basic technology and core architecture are maturing, and China's blockchain technology route is gradually reaching a consensus. Secondly, the application of blockchain is gradually deepening, and its implementation is accelerated in financial services, justice, supply chain management, e-government and other fields. Thirdly, both national and local governments have issued relevant policies to promote the development of blockchain industry.
- 3 There is still a gap in the original innovation ability, core technologies, rules and standards, etc.
  - The development of blockchain industry is still in the early stage, and there is no large-scale 'killer' application.
  - Core technologies need to be broken through, and there are many severe challenges to solve data security problems. On the one hand, domestic enterprises are not strong in independent innovation and R&D at present. No matter hardware devices such as high-performance server chips or key technologies such as consensus algorithm and smart contract are basically from abroad, there are still large risks in safety and reliability. On the other hand, blockchain technology itself needs to be further improved, which cannot effectively meet the security and privacy requirements of some areas of people's livelihood.
  - There are many conflicts between the development of blockchain and the current laws and regulations. First, there is uncertainty in the application of laws, that is, whether the existing laws and regulations can be applied to the supervision of blockchain technology and related applications. Second, regulatory blind areas and regulatory gaps, such as how to strictly control and crack down on illegal fund-raising, fraud and intellectual property infringement in the name of blockchain. Third, the problem of improper supervision, that is, some regions and industries have the phenomenon of 'one size fits all' and excessive supervision due to the limited understanding of blockchain.

- The people's livelihood system is not open enough. As to the livelihood of the people, such as government services, employment, health care, education etc., the limited cognition of blockchain and the lack of regulatory means make some departments worry about data security and they are more cautious about open sharing of data. Therefore, it is difficult for blockchain to connect all links, which restricts the large-scale application.
  - There is a big gap in supply of talents both quantitatively and structurally.
- 4 Blockchain is a new production relationship in the digital world. Therefore, regulation of blockchain industry should be promoted to the level of governance of internet industry, and the strategy to regulate the blockchain industry should be studied from the perspective of the impact of blockchain technology on the development of digital economy.
  - 5 Blockchain has a wide market and application space, but the distributed business model represented by blockchain will reduce the vested interests of oligarchs and intermediaries, which will lead to the conflict of traditional departments.

As for the development of China's blockchain industry, most studies focus on the difficulties and problems, lacking comprehensive and objective research. This paper makes a factual description of the status of blockchain technology and industry in China, summarise advantages and problems of China, and draw a conclusion. Based on successful experiences at home and abroad, this paper puts forward some suggestions on promoting the development of blockchain industry in China. The difficulties and problems China's blockchain industry faced at the present stage have been discussed from different aspects, but most of them lack systematic and in-depth research. Based on empirical research, this paper systematically studies prominent constraints on the development of blockchain in China from four aspects: the original innovation ability, core technologies, rules and standards, and talent supply.

### *'China's economic growth and macroeconomic policy options during the COVID-19 pandemic*

In early 2020, the outbreak of COVID-19 caused scholars' attention and concerns about global economic growth. As a stabiliser and power source for global economic growth, China's economic growth is driving global economic development. How to maintain stable growth of the Chinese economy has become a hot topic of widespread concern in China and the world. This paper focuses on economic growth and macroeconomic policy options. It proposes policy recommendations for the future development of China's economy to provide references for the steady recovery and sustainable development of China and the world economy.

This article shows that emergencies such as the SARS epidemic, the Wenchuan earthquake, and the international financial crisis have a short-term impact on the Chinese economy and have a limited adverse effect on China's economic development. In the first quarter of 2020, China's economy experienced negative growth for the first time, but the industrial production and fixed asset investment recovered steadily in the second quarter. Since the outbreak of the COVID-19 pandemic, China has adopted the most comprehensive, thorough, and strictest prevention and control measures and made every effort to maintain the safety of people's lives and health. China also made positive

contributions to the world's public health. This paper speculates that in the second half of 2020, the impact of COVID-19 on the economy will gradually weaken. Especially in the suppressed economic activities in the early stage will be progressively released, economic growth will slowly recover, rebound, improve, and maintain a sustained momentum, and the commercial growth rate may show a U-shaped curve.

In addition, this paper analysis that China mainly adopts proactive fiscal policies such as direct fiscal investment, tax reduction, and exemption, and issuance of the national debt when facing a crisis. It uses precise efforts from the expenditure side to provide financial support to specific individuals and enterprises. Moreover, the publication of special treasury bonds will expand sufficient demand and stabilise growth, providing a reliable guarantee for economic growth. Now, the pandemic hit the economic and social development, and the industries are facing the challenges of transformation and upgrading. New infrastructure may stimulate new momentum and promote high-quality economic development. Besides, during the pandemic, the People's Bank of China implemented a prudent and more flexible monetary policy. It placed the support for the recovery and development of the real economy in a more prominent position. The bank focused on redirected control, internal and external balances, and reasonable and sufficient liquidity, and the scale of monetary credit and social financing grew in the same way as the economy. Also, the monetary policy develops and creates a suitable monetary and financial environment for high-quality construction and supply-side structural reforms.

Accordingly, this article makes further reflections on macroeconomic policies during the COVID-19 pandemic. A country must consider the 'crowding out effect' when implementing fiscal policies to reduce the pandemic's negative impact on the economy. When China implements an expansionary fiscal policy to boost the economy, it can appropriately increase tax reductions and exemptions. China needs to work from both the supply side and the demand side to promote steady economic growth. On the demand side, the government can add traditional infrastructure projects and 'new infrastructure' projects. Also, it is necessary to consider moderate 'external imbalances' and keep current account imbalances within a reasonable range when steady economic recovery is insured. According to the data from WTO, China's financial services trade accounts for less than 1% of services trade for a long time, compared nearly with 15% for the US and 4% for India in the same period. Obviously, China's financial services industry has not yet become competitive in the international market. The process of economic globalisation is constantly advancing, and economic ties between countries are becoming closer and closer. At the same time, the global industrial structure is also developing and changing rapidly. Obviously, service trade has become a new growth point in international trade. Nowadays, China has entered a new stage of development. China has repeatedly and clearly pointed out that we need to change from high-speed development to high-quality development and high-level opening up, and provide a more legal, market-oriented and international business environment for the development of the financial industry. Therefore, as an important part of trade in services, trade in financial services has needs and conditions to achieve better development.

*'Comparative study on the competitiveness of China's and India's financial services trade'*

The methods used in this paper are: data comparison analysis and literature research. First of all, this paper compares India's financial services trade indicators with China, because India and China are both large developing countries and BRICS countries, and they all have achieved independence in the middle of the 20th century. India's development is of reference significance to China. Secondly, by reading a large number of literatures, according to the Porter Diamond Model, the main factors affecting the competitiveness of financial services trade are analysed, which in turn helps to analyse the reasons for China's weak competitiveness in financial services trade.

This paper analyses the international competitiveness of China's financial services trade through three competitiveness indicators, and compares it with India, which is also a developing country. What is found is that in the early days, China's financial services trade accounted for far less than India in terms of international market share and comparative advantage. Although in recent years, with the continuous attention paid to the industry, the scale of financial services in China are constantly expanding, and the structure of financial services in China are constantly optimising and upgrading, and the competitiveness has gradually caught up with India. However, it is undeniable that China's financial services trade started late and the level of market opening is not high, so it has not yet formed a competitive advantage in quality and quantity.

Of course, according to China's new development concept, the main purpose of the development of the financial service industry is not to improve the quantity, but to open the market in an orderly manner and realise the improvement of the quality of the financial service industry under the premise of maintaining financial security and stability. According to the Porter Diamond Model, the reasons restricting the development of China's financial services trade are analysed, and it is believed that the main reasons are the imperfect financial supervision system, the incomplete financial ideological and technological system adapted to China's national conditions, and the lack of driving force by relevant industries.

Therefore, as a new growth point in China's service trade, the country should focus on improving the business environment of the financial industry. First, establish a financial supervision system with Chinese characteristics and legal systems, improve the transparency and legalisation of financial supervision, and improve the standardisation of the financial industry, so as to create conditions for the deregulation of the financial industry; second, establish a financial system with Chinese characteristics for the development of the financial services industry. China is a socialist market economy, which is different from the capitalist road taken by Western developed countries and India. Therefore, to establish an effective financial ideology and theoretical system in combination with China's actual situation and cultivate compound financial talents with innovative consciousness is with much necessity. Third, form a market environment that encourages enterprises to go global and promote the construction of a new development pattern of the domestic double cycle. In the context of globalisation, timely reduce restrictions on the financial industry and promote the development of financial services; Fourth, support the development of related industries and make full use of them, especially the use of emerging technologies such as the Internet, 5G, blockchain, etc. to drive the development of financial services trade. It enables the development of the financial industry to take the fast track of the Internet.

Then create a more legal, market-oriented and international business environment for financial service trade. Finally, it will stimulate the vitality of the financial market, encourage the innovation, and then form the unique competitiveness of China's financial industry in the international market, thus driving the growth of China's service trade and the upgrading of the structure of it.

In conclusion, the research on innovation in technologies and business models under the new stage of economy has great practical significance and theoretical value. Through the introduction of the latest literature in this field, we hope to provide useful policy implications for the global economic recovery. Due to the limitation of space, this article may not be summarised in place. We expect deeper coordination with more scholars in future to construct Chinese innovation theory research.