

How does structural monetary policy affect the high-quality development of enterprises

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Abstract.

In recent years, due to the difficulty of monetary policy in meeting the needs and development directions of various enterprises, structural monetary policies have been continuously introduced. The direction and accuracy of structural monetary policies can help different enterprises. This paper elaborates on the application of structural monetary policy at home and abroad, the help of structural monetary policy in corporate financing, and the shortcomings of structural monetary policy. It is concluded that the central bank needs to reduce the difficulty of corporate financing, increase trust between financial institutions and small and medium-sized enterprises, and increase the funds of enterprises through loans and discounts, so that enterprises have broader development space.

KEYWORDS: Structural; Monetary policy; Enterprise; Application

1. Introduction

Structural monetary policy is a differentiated monetary policy aimed at promoting a country's economic development. The main means of structural currency include loan preference, interest rate preference, etc. The country will consider the differences in economic development in different regions and formulate different structural monetary policies based on the needs of different regions. Therefore, the characteristic of structural monetary policy is limited to a certain point, rather than the whole.

According to the research of different scholars, in many cases, the final result of structural monetary policy input has not achieved the expected effect. For example, it is still difficult to further improve the liquidity of each enterprise's investment. For the government, structural imbalances in the economy remain unmanageable. However, some scholars have also shown that the investment cost of enterprises has significantly decreased, and structural monetary policies further stimulate credit and enhance financial liquidity, that is, quantitative easing can help improve the shortage of capital structure. As mentioned in the article by Wang Yijie and Lu Xueyan, structural monetary policy can repair the transmission mechanism, prevent the situation from deteriorating, and play a certain auxiliary role in the capital structure[1].

2. Application of structural monetary policy abroad

In the Federal Reserve Bank of the United States, the

Federal Reserve mainly uses TAF (Term Auction Facility) and TSLF (Term Securities Lending Facility) to respond to financial crises. The main operating mode of TAF is to provide collateral to eligible financial institutions through regular auctions to ensure the long-term flow of funds and address existing functional barriers. The operation of TSLF is similar to that of TAF, which also provides collateralized loans to non-financial institutions through auction mechanisms. The Federal Reserve has lowered this limit and replaced it with two different programs, one for eligible collateral and the other for higher rated collateral. This also makes financial markets functioning again and more liquid. After that, it helped businesses and investors make future plans with more confidence, and the market also improved.[2]

The policy of the Bank of England to provide funding for loan agreements is also a way to increase the liquidity of the banking sector, mainly by allowing firms to exchange their assets for Britain's own highly liquid assets, namely government bonds. This is because, in exchange for loans, companies can use the government bonds they buy as collateral. The government wants to use this policy to ensure that different companies can contribute to the overall liquidity of banks, thus expanding the availability of funds. At the same time, this allows the bank to obtain market financing at extremely low costs and obtain commissions from companies for using the assets.[2]

3. Domestic application of structural monetary policy

Since 2020, the use of structural monetary policy tools

has become more frequent, partly due to the rapid growth of the Chinese economy and the urgent need for new policies to address weak areas such as technology. Second, the outbreak of COVID-19 in China has brought enormous pressure to the market, especially in the restaurant industry, retail industry and tourism industry. This has disrupted the financial chain of some companies, as consumer demand has decreased, giving China the impetus and motivation to promote new policies. One way is to provide supplements to some enterprises, so that enterprises have more capital to invest or develop specific fields. The method of lending before borrowing at the same time is similar to financing for lending, but the difference is that the financial institution itself becomes the link, rather than the enterprise itself, but it also ensures the participation of more enterprises, the direction of the flow of funds is determined, and the enterprise does not need to be charged fees.

The domestic structural monetary policy also focuses on the whole, preferring to observe the macroeconomic trend of the economy, so that the policy will not be quantitative easing, unable to promote the economy for a long time, and help enterprises better conduct financing and a series of activities. Some scholars are skeptical that structural monetary policy is difficult to restrain, because banks are given a lot of room to lend, so it is easier to raise interest rates for banks than for companies themselves.

4. Development factors required by today's enterprises

Small and medium-sized enterprises need to constantly innovate, so as to increase the practicality of products and attract more consumers. By introducing new technology or hiring better employees to increase production, the company can better drive the business.

Companies themselves can use new policies, such as job rotation and piece rate, to make employees more motivated to perform tasks. Secondly, education and training can be carried out to enhance employees' working concepts and values. But the foundation of all this is that money is needed, and the government needs to strengthen the amount of money that companies can borrow.

It is not only necessary to increase the survival rate of enterprises, but also to increase the competitiveness of the market, so that each enterprise can use funds for further research and development. The government needs to identify the advantages of structural monetary policy to increase credit and lending. At the same time, we should use the guidance and precision of structural monetary policy to stimulate the activities of enterprises in financial institutions[3]. Governments also need to monitor and

discipline financial institutions to prevent them from focusing only on their own interests. Enterprises need more capital, especially the development of small and medium-sized enterprises, they need to make their capital liquidity high. For them, if the process of approving loans was quicker and more efficient, allowing them to lend more at once, they would have more money to cover their weaknesses. Their business confidence will also increase, and the development of small and medium-sized enterprises is inseparable from the support of government policies. However, for large enterprises, due to the large number of people, it is easy to cause bureaucratic problems, that is, poor communication efficiency, and a time lag for information transmission. This leads to the idea that it is difficult for senior staff to manage effectively or for junior staff to report in time, so large enterprises need to spend money on establishing a good management system. Large enterprises also need to increase their targeted investments, because it is difficult for small and medium-sized enterprises to have such qualifications because their disposable funding cannot be afforded and they have an opportunity cost. The structural monetary policy is much more helpful to small and medium-sized enterprises than to large enterprises.

5. How to use structural monetary policy to help enterprises develop

Because small and medium-sized enterprises usually have a high risk of operation, it is difficult to get bank loans, and usually need to bear high interest. Therefore, the government can help to reduce the financing difficulty of enterprises through structural monetary policy, so that funds can flow to small and medium-sized enterprises faster and better, and give full play to the two advantages of directional flow and precision of structural monetary policy. For example, loan first, discount later, so that enterprises can maximize the access to funds, or improve the financing convenience of enterprises, open more financial institutions, and reduce the interest of these institutions, so that enterprises can reduce costs, increase investment, and have more opportunities to go public.

The government can also invest more subsidies in environmental protection companies, that is, companies that use renewable energy in production, which is the carbon reduction advocated by the government at present. In order to improve the efficiency of mining, enterprises can apply for financial subsidies, or carry out scientific and technological innovation, and use the successful patent application for loans[4]. Not only does this allow the original firm to reduce its cost of production and thus become more productive, it can also push the remaining

companies that damage the environment and emit pollutants to transform. At the same time, the government can reduce the cost of borrowing for these firms.

Cost reduction in transportation makes logistics companies more efficient and pursue an increase in the number of shipments per shipment[4]. Not only that, but companies can also use the funds from the loan to improve the quality of their own products. so domestic consumers and foreign consumers are more willing to purchase, This not only improves the profitability of the enterprise itself, but also makes the exported goods' value is larger than the imported goods' value, so current account becomes surplus. The government can also help the construction industry to finance, because an excellent transportation system is based on infrastructure, so improving or rebuilding infrastructure can make the transportation network of cities and villages more convenient, and improve the mobility of enterprises and people.

6. Disadvantages of structural monetary policy

Governments need to monitor the flow of money while incentivising financial institutions[3]. Because structural monetary policy is characterized by a large mobilization of funds to help finance the weak points of various industries, the way and point of use of funds need to be efficient. Moreover, the greater the capital investment, the greater the risk, because some financial institutions do not have enough ability to manage, that is, now the loans of large enterprises are much faster than the loans of small and medium-sized enterprises, because their risk-bearing is higher.

In the process of setting structural monetary policy, the government needs to allocate credit appropriately so as not to produce too much or too little, which is a time-consuming and energy consuming process. Therefore, some people think that it is better to directly distribute subsidies, because subsidies are more efficient and enterprises can get funds faster.

The issuance of a large amount of funds will make it difficult for the government to bear, that is, the opportunity cost. The government will lack funds to deal with other macro objectives, such as unemployment, protecting the environment, adjusting the wealth gap and inflation. Therefore, the government should target an upper limit of the amount of funds, and it is best to use it under the condition of fiscal surplus (government budget is larger than government expenditure).

Arbitrage by banks needs to be monitored[3]. Due to the introduced incentive compatibility mechanism, financial institutions have more means and space to obtain higher

benefits at lower costs when issuing loans to enterprises.

7. Advantages of structural monetary policy

Compared with conventional monetary policy, the advantage of structural monetary policy is still very obvious, that is, guidance. Especially in the short term, structural monetary policy can provide targeted credit tools to specific enterprises and projects, unlike conventional monetary policy, which can only help the macro economic system [5]. Different from large enterprises, the positive impact of structural monetary policy is reflected in that it can reduce the investment cost of small or medium-sized enterprises.

Secondly, another advantage of structural monetary policy is precision. This can be seen from the current structural monetary policy tools in China. Although the structural monetary policy has not adjusted the economic structure in a real sense in the long run, the implementation of re-lending has further stabilized the credit structure of domestic enterprises and further increased the credit and liquidity in China, which has also laid a foundation for long-term adjustment. Structural monetary policy has also been used to establish many new mechanisms to help domestic green development and economic innovation, such as independent lending by financial institutions and re-lending by the central bank.

Looking at international examples, for example, the new structural monetary policy mechanism introduced by the European Central Bank made the funds of some European enterprises start to operate again. It also used European banks to provide additional credit supply to encourage eurozone banks to issue loans to non-financial enterprises and residents [1], making full use of the transmission mechanism of structural monetary policy. Will eventually reverse the contraction in European lending.

8. Conclusion

For now, structural monetary policy cannot be used in the long run. Because structural monetary policy cannot change the contradictions in the economic structure, it can only delay the problems. If the government only uses structural monetary policy to change corporate investment, lending and credit, it will only depreciate the currency itself and be heavily arbitrated by economic institutions. Moreover, structural monetary policy needs to be assisted by other fiscal policies.

But this does not mean that countries need to abandon structural monetary policy, which is a powerful auxiliary policy. For instance, the design of structural monetary policy can be more flexible to highlight the unique

advantages of this policy. It should be used for the development of different types of enterprises to increase the liquidity of enterprise funds and a series of means such as financing. Moreover, the current structural monetary policy is not helpful for all types of businesses, and there are still many types of businesses that are not able to enjoy it. In the future, we can make the policy more widely used, not only limited to small and medium-sized enterprises, but also provide appropriate help for large companies. At the same time, it is not limited to the existing types of enterprises, and should be expanded.

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