



**A CASE STUDY OF FACTORS INFLUENCING THE
DEVELOPMENT OF FINANCIAL SERVICES IN CHINA
(SHANGHAI) PILOT FREE TRADE ZONE**



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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF
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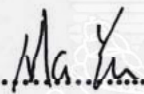
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This Independent Study has been Approved as a Partial Fulfillment of the Requirement
of International Master of Business Administration

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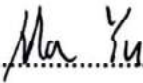
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ABSTRACT

With the establishment of the Shanghai Pilot Free Trade Zone (FTZ), financial business has become one of the key areas of development within the FTZ. This initiative aimed to promote the opening and innovation of the financial market, attract more financial institutions and talents to actively participate in the development of the FTZ, and inject new vitality into the development of the region. Therefore, the research objectives of this study were: 1) To analyze whether the policy environment had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 2) To analyze whether the market demand had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 3) To analyze whether the financial innovation had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 4) To analyze whether the competition and cooperation had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone.

Based on the free trade theory and financial innovation theory, this paper adopted the quantitative research method to investigate the influencing factors of financial business development in Shanghai FTZ. A total of 300 questionnaires were distributed in this survey and 280 valid questionnaires were recovered. The final conclusions were: 1) The policy environment had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 2) The market demand had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 3) The financial innovation had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone; 4) The competition and cooperation had a positive impact on the development of financial business in the Shanghai Pilot Free Trade Zone.

Key words: Shanghai Pilot Free Trade Zone (FTZ), financial services, influential factor, financial development

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Declaration

I, Hongwen Fan, hereby certify that the work embodied in this independent study entitled "A Case Study of Factors Influencing the Development of Financial Services in China (Shanghai) Pilot Free Trade Zone" is result of original research and has not been submitted for a higher degree to any other university or institution.



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Chapter 1 Introduction

1.1 Background of the Study

Under the trend of global economic integration, as an essential experimental field of economic opening and reform, free trade zones have attracted more and more attention from governments worldwide. China (Shanghai) Pilot Free Trade Zone (also refers to as "Shanghai Free Trade Zone") is a vital area established by the China Municipal Government to promote economic reform and opening up and facilitate trade and investment. Since its establishment in 2013, the Shanghai Free Trade Zone has become a vital window for China's financial industry to open up to the outside world, with a series of explorations and practices in financial innovation, trade facilitation and investment liberalization (Pei & Fu, 2021).

To attract foreign investment to the Chinese market, the establishment of a free trade zone will help create a more accessible, convenient, open and stable economic environment. (Chen, 2017). Under the background of rapid changes in the international trade environment, the focus of the construction of the Shanghai Free Trade Zone is to improve the level of trade and financial liberalization, establish an institutional framework and rules freely implemented in international trade and investment, and further attract foreign investment into the China market.

Shanghai Free Trade Zone is the core of China's Financial Opening Experimental Zone. It plays an important demonstration and leading role in exploring the financial reform system, opening up the way and widening the channels for the transformation of achievements. Through the opening and experiment of FTZ, the internationalization of China's financial market has been accelerated, attracting more and more products and services to the international stage. Breaking industry's monopoly, reducing the profit space of financial enterprises and improving the transparency and fairness of market competition are the key objectives of economic reform in the Shanghai FTZ (Baihua, 2019). This deep integration of finance and trade has fostered market flourishing and financial innovation, as well as greater efficiency and cooperation among industries. Since the establishment of the Shanghai Free Trade Zone, various innovative measures have continuously introduced. Financial products and services, such as bond market business, asset management business, and cross-border services, have been constantly enriched, attracting more foreign capital and international financial institutions to enter the market and expanding the business scope of the domestic financial market.

Generally speaking, the development of Shanghai's financial industry has been slow in recent years, and the establishment of the Shanghai Free Trade Zone expects to improve this situation. First of all, by setting up a free trade zone, Shanghai's import and export trade will probably increase and promote the development of the overall service industry. According to the data released by Shanghai, in the first four months of 2021, Shanghai's total import and export trade reached 1.94 trillion yuan, a year-on-year increase of 29.6%. Among them, exports reached 1.02 trillion yuan, a year-on-year increase of 32.4%; Imports reached 0.92 trillion yuan, a year-on-year increase of 26.2%. These data show that Shanghai's import and export trade is overgrowing, and the growth rate is huge. This growth will promote the development of the overall service industry, including logistics, finance, business consulting, and other services. Driven by import and export trade, the development of the whole service industry will be more stable and rapid (Wang et al, 2022).

Secondly, the free trade zone will involve reforming some non-bank institutions, thus providing opportunities for the development of non-bank institutions. For example, the insurance industry may pilot the reform of deferred pension insurance in Shanghai, and the securities industry may also increase the establishment of the New Third Board and other markets. The introduction of treasury bonds futures will establish and improve the futures market. In contrast, Shanghai, as the office of the stock exchange and futures exchange, has a high market share in a non-bank business, and the development of these businesses will inevitably drive the growth of Shanghai's financial industry. Finally, competition promotes development. As a reform experiment of the free trade zone, Shanghai may have more relaxed conditions for the entry of financial institutions, which, on the one hand, attracts the establishment of more financial institutions, objectively promotes competition, which will further improve the quality of financial services, thus making Shanghai's overall financial industry develop better (Wong, 2019).

Although the Shanghai Free Trade Zone has not established long ago, it has achieved good results and benefits. In the future, with the rapid development of the financial market and the constant changes in the global trade environment, the free trade zone will have a more extensive and in-depth cooperation space and market. It predicts that in the next five years, in the financial field, the Shanghai Free Trade Zone will further open to the outside world, deepen financial reform, optimize the service environment and internationalization, and promote the internationalization of the capital market to provide better services (Cha, 2018). However, with the increasing complexity and uncertainty of the global economy, the development of

financial business in the Shanghai Free Trade Zone face many challenges and opportunities. Therefore, the study on the factors influencing the financial business development in the FTZ has great theoretical and practical significance for the financial innovation and development in the FTZ, as well as for the financial opening and reform in China.

1.2 Problems of the Study

The development of financial business in the Shanghai Free Trade Zone manifests in various aspects; Firstly, the domestic economy has entered a new normal, and the traditional economic development model is transforming. The downward pressure on the economy is significant, and it is necessary to find new economic growth points. The financial market must play a more critical role as the core of a modern economy. Secondly, establishing the Shanghai Free Trade Zone is to explore new paths, mechanisms, and models for China's opening up to the outside world, deepen reform and expand opening up, and provide experience for national financial reform. Therefore, it is therefore an inevitable trend for free trade areas to reform and innovate in the financial sector. In addition, the competition in the global financial market is fierce, and free trade zones need to address the risks and challenges of the international financial market and strengthen their risk prevention and response capabilities. Aiming at the influencing factors of economic business development in the Shanghai Pilot Free Trade Zone, the main research Problems are as follows:

- (1) Does the policy environment have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone?
- (2) Does the market demand have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone?
- (3) Does financial innovation have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone?
- (4) Do competition and cooperation have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone?

1.3 Objectives of the Study

Based on the above research questions, it summarizes that the specific objectives of this study mainly include:

(1) To analyze whether the policy environment has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone.

(2) To analyze whether the market demand has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone.

(3) To analyze whether the financial innovation has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone.

(4) To analyze whether the competition and cooperation have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone.

1.4 Scope of the Study

This study analyzes the influencing factors of financial business development in Shanghai Pilot Free Trade Zone. Based on the theory of free trade, this paper reviews more than 40 major foreign literature and understands the current situation of financial business development in the Shanghai Pilot Free Trade Zone, the main influencing factors of development, and optimization strategies, which provides an adequate theoretical basis for in-depth exploration of the influencing factors of financial business development in Shanghai Free Trade Zone.

1.5 Significance of the Study

1. Theoretical significance

This study enriches the theoretical research on the influencing factors of financial business development in free trade zones and provides reference for academic research in related fields. At present, there is a lack of theoretical research on the influencing factors of the development of financial enterprises in the free trade zones. This study will help to enrich the academic research in this field and provide new research perspectives and methods for later researchers. This study can provide valuable reference and enlightenment for academic researches in related fields by deeply understanding the internal logic and external influencing factors of financial business development in FTZs. It will help to promote academic research in the financial field of free trade zones to a higher level and provide more intellectual support for the construction of free trade zones around the world.

2. Practical significance

This study will extract policy suggestions and market strategies that will help promote the healthy development of financial business in the Shanghai Free Trade Zone from empirical research and theoretical analysis. We can find out which factors play a key role and how they affect the development of financial business in the Shanghai FTZ through an in-depth study of the factors affecting the development of financial business in the FTZ. This understanding can not only provide an important theoretical basis for policy makers and market participants, but also deepen our understanding of the development model of financial business in the FTZ. Based on these research results, policymakers can formulate relevant policies more pertinently to promote the sound development of financial business in the Shanghai Free Trade Zone. Market participants can grasp the market trend more accurately and realize the sustainable growth of their business. These suggestions and strategies, based on sound theoretical research and coupled with the realities, aim to provide a valuable reference for the government and companies to make decisions. The government could benefit from these policy suggestions to improve the financial policy system of the FTZ, and companies can use these market strategies, along with their realities, to develop more targeted market expansion programs. The government could benefit from these policy suggestions to enhance the financial policy system of the free trade zone and create a more favourable financial environment. Enterprises can use these market strategies, along with their circumstances, to develop more targeted market expansion programs.

1.6 Limitations of the Study

There are some limitations to this in-depth study of the development of the financial industry in the Shanghai FTZ. Among them, the most critical problem is the complexity and quality of data acquisition. Since the financial business of Shanghai Free Trade Zone involves many fields and departments, including banking, securities, insurance, financial technology, etc., each field and department has its way of data collection and arrangement, which makes it very difficult to obtain data. At the same time, due to the diversity of data sources, the quality and integrity of data may also be affected, and there may be problems of incomplete data or low data quality.

It is important to note that the development of free trade zones is not isolated and can influence various political, economic, and social factors both domestically and internationally. These factors are subject to change at any time, and their interaction and influence mechanisms are complex and difficult to predict accurately. Therefore, in the research process, it need to fully consider the influence of these external factors and strive to grasp their mechanism for developing of financial business in Shanghai

Free Trade Zone.

To overcome these limitations, this study needs to constantly improve the research methods and the efficiency and quality of data collection and collation. Simultaneously, it is essential to maintain a vigilant observation of political, economic, social, and other factors and promptly capture and analyze their impact on the financial business's development in free trade zones. In the presentation of research conclusions, it is necessary to fully consider these limitations and adequately explain the research conclusions to avoid the conclusion deviation caused by the limitations of data and the complexity of the external environment.



Chapter 2 Literature Review

2.1 Introduction

During the development of the financial industry in FTZ, many influencing factors interact and jointly affect the comprehensive development level of its financial sector. Therefore, this chapter analyses previous research to clarify the mechanism and effect of each influence, providing theoretical support for subsequent empirical research.

2.2 Literature Review

2.2.1 Free Trade Theory

Free trade theory originated from Adam Smith's theory of division of labor, developed from David Ricardo's theory of comparative advantage, and deepened into Hector and Olin's theory of factor endowment. The theory of free trade has four core points: (1) Free trade is conducive to forming a win-win international division of labor. Under free trade, countries can produce products that are more beneficial or less disadvantageous based on their economic, resource, and technical conditions, in order to gain more advantages (Zeng & Tan, 2021). (2) The theory of free trade is conducive to expanding the real national income. Based on factor endowment conditions, each country develops departments with comparative advantages, realizes the effective distribution and utilization of factor resources, and accumulates national wealth through free trade. (3) Free trade is conducive to improving economic benefits. Under the condition of free trade, competition among the same industries can weaken or eliminate monopoly to a certain extent. It can promote a country's economic growth in the long run. (4) Free trade is conducive to promoting economic development. Under the conditions of free trade, countries can reduce costs, increase income and accumulate capital through the adjustment of import and export trade, which can lead to continuous economic development (Li, 2021). Free trade can bring benefits, but it also has costs, such as the potential loss of economic sovereignty, which may affect countries differently. Therefore, it is important for countries to formulate their foreign trade policies based on their development and the realities of global economic change to achieve the desired outcomes of free trade (Ferry, 2022).

2.2.2 Financial Innovation Theory

The theory of financial innovation formed in the 1990s. The perspective on financial innovation is that it results from a combination of restrictive, decisive and other factors that contribute to the development of economic innovation (Wang,2020). The theory of constraint-induced financial innovation advocates that the pursuit of profit maximization is the fundamental motivation of financial innovation. Economic subjects aim to overcome internal and external constraints that hinder their development by exploring new products, services, and management methods. Avoidant financial innovation theory emphasizes the pursuit of profit maximization only under the pressure of external financial regulation. It holds that the process of mutual game between financial innovation subject and institutional regulation will lead to financial innovation. The theory of transaction cost innovation emphasizes that transaction cost is the decisive factor for the success of financial innovation. Reducing the transaction cost can make the currency complete a gorgeous transformation, thus giving birth to a new medium of exchange. Financial innovation can be continuously encouraged by decreasing transaction costs. Institutional financial innovation theory holds that financial innovation changes with the change of system and puts forward that the result of institutional change is financial innovation.

2.2.3 Policy Environment

This section studies the policy environment of financial business in the Shanghai Free Trade Zone from different angles and fields. They cover economic opening policy, financial innovation policy, financial supervision policy, and so on, and analyze and discuss the influence of policies on the development of financial business. By studying these review documents, it can fully understand the evolution and development of the financial business policy environment in the Shanghai Free Trade Zone. Lu (2014) proposed that under the background of the economic reform environment in which the Shanghai Free Trade Zone was formally established in September 2013, the financial environment and financial market faced by enterprises have undergone new changes. With financial reform underway, how to adapt to SWFTA's policy environment and how to facilitate financing for enterprise innovation and reform is a key issue for SWFTA's emerging enterprises. Ohashi (2018) argues that the implementation of the 'Belt and Road' policy is strategically significant, not only providing a new approach to national economic development but also driving economic growth in the relevant regions. This policy accelerates the formation of a national open pattern by concentrating factors and radiating economic benefits. In comparison to the coastal FTZ, China's inland FTZ differs in terms of location

conditions, resource endowment, industrial structure, and policy environment. Chen and Archibugi (2019) describe the innovation policy of the Shanghai FTZ, compare it with the EU experience, and analyse and speculate on the policy environment. Taggart and Boylan (2019) summarized the internationalization and institutionalization of China's free trade zone and studied the impact of the policy environment. They highlighted the crucial role that the policy environment plays in the development of the free trade zone and the innovation of financial business. Huang et al. (2018) emphasized the significance of export promotion in contributing to a country's economic growth. It is widely accepted that increasing the volume and/or value of exports leads to an increase in a country's foreign exchange earnings and can result in an economic boost. It is important to maintain a clear and objective tone when discussing economic matters. Ma et al. (2021) conducted a comprehensive review and summary of financial business policies in the Shanghai Free Trade Zone. They analysed policies related to financial opening, financial innovation and financial supervision. They discussed their impact on the development of financial business. Lv et al. (2020) also conducted a detailed study of the policy environment of financial business in the Shanghai Free Trade Zone. The authors analysed the influence of policies on the development of financial businesses and highlighted the importance of policy environment in promoting innovation and development in this sector.

2.2.4 Market Demand

Zhang & Wang (2020) investigated the relationship between market demand for financial services and financial innovation in the Shanghai Free Trade Zone. They also examined the impact of financial innovation on market demand. Deng & Guo (2018) analyzed the development of financial business in the Shanghai Free Trade Zone, focusing on market demand and its role in this development. Reinders (2014) thought China experienced a fantastic growth in commodities consumption due to its economic growth. The demand for base metals increased at a sharp pace. Last year, China established the Shanghai Pilot Free Trade Zone (CSPFTZ) as part of the country's economic growth drive. Mei & Lu (2016) conducted a study on the impact of financial opening in the Shanghai Free Trade Zone on the demand for financial markets. Their research provides insight into the future market demand for the Chinese base metal market. Their findings provide evidence to support the understanding of market demand. Sun et al. (2020) conducted an empirical analysis to investigate the impact of financial development on the demand for financial services in the Shanghai Free Trade Zone. In addition, the impact of innovation on the demand for financial services in the Shanghai Free Trade Zone was investigated by Chen and

Zhang (2019), and corresponding policy suggestions were proposed. Lan & Shen (2017) studied the impact of financial marketization on the demand for financial services by evaluating the experimental data of Shanghai Free Trade Zone. By comprehensively analyzing these documents, they can have a more comprehensive understanding of the market demand for financial services and provide policy and practical suggestions for developing financial services.

Xia (2021) analyzed the role of FTZs in driving market demand at the macro level, and through empirical research, it found that the establishment of FTZs can stimulate market demand and promote economic growth. The study provides a vital theoretical basis for understanding the FTZ market. Zhang (2020) explored the development of fintech in FTZs and its response to market demand from the perspective of industry analysis. By analyzing the application and impact of fintech within the FTZ, the article finds that fintech can improve the efficiency of financial services and promote the development of financial markets, which stimulates market demand. The study provides a new perspective for understanding economic market development within FTZs. Wang's (2022) analyzed the coping strategies of enterprises' market demand in FTZs from the micro level, and through investigating the market strategies and behaviors of enterprises in FTZs, it is found that enterprises will adjust their production and sales strategies according to the market demand to gain a larger market share. The study provides an empirical basis for understanding the behavior of firms in FTZs.

2.2.5 Financial Innovation

In recent years, FTZs have made remarkable progress in financial innovation, which has become a hotspot for scholars at home and abroad. From the micro level, enterprises in the FTZ have actively explored financial innovation, introduced a series of new financial products and services, and improved the efficiency and quality of financial services. From the perspective of industry analysis, the financial market in the FTZ has developed rapidly, attracting the attention and participation of a large number of domestic and foreign investors. At the same time, FTZs have also become a vital testing ground for financial regulators to explore financial reform and innovation. The following pieces of literature are of great significance to the study of financial innovation in FTZs:

Sekine (2014) asserts that the financial reforms in the Shanghai Free Trade Zone have had significant effects on Chinese financial markets, particularly in Shanghai,

including enhancing Shanghai's position as a global financial center and promoting the internationalization of the renminbi. Zhang et al. (2016) believed that the establishing of FTZ is a national strategy. As a pawn of China's FTZ strategy, Shanghai FTZ shoulders a great mission. Since its establishment, Shanghai FTZ has successively launched a series of financial innovation pilots, such as free trade account business, convenient exchange of investment and financing, cross-border use of RMB, interest rate marketization, and foreign exchange management reform. From an industry perspective, Zhang (2020) investigates financial market development and its interaction with financial innovation within FTZs, and explores financial technology applications and impacts within FTZs. Wang & Xia (2021) analyzed the financial innovation practices of FTZ firms at the micro-level, and found that FTZ firms' financial innovation practices play an important role for improving the efficiency and quality of financial services. Li & Zhang (2022) conducted an empirical analysis of the impact of financial innovation on market demand and economic growth in the FTZ. Their findings suggest that financial innovation can stimulate market demand and promote economic growth at a macro level.

Deng (2022) pointed out that Shanghai is a vital window for China's financial reform and innovation and high-level financial opening, and the free trade zone has undertaken vital functions such as financial reform and opening up, the basic institutional framework for financial innovation has matured, the energy level construction of international financial centers has accelerated, and substantial progress has made in many major policy pilots such as green finance, ESG investment and cross-border investment and financing facilitation. According to Liu (2020), the Shanghai Free Trade Zone has surpassed previous pilot areas in terms of financial field policy system openness, achieving four goals: RMB capital account liberalization, internationalizing the financial system, innovating the financial industry, and preventing and controlling financial risks. Catellani (2000) argued that SEZs are primarily used to support progressive economic opening, to test new innovative policies, and to enable the central government to control change and manage adverse trade effects. In 2013, the China Municipal Government launched a new generation of special economic zones, and its pilot project was the Shanghai Free Trade Zone. According to several experts, the Chinese government has created a new generation of FTZs in 2013 in order to establish a new development model for the country, which is no longer based on the replication of past development paths when China's economy was relatively small and underdeveloped.

2.2.6 Competition and Cooperation

Klimek(2015) conducted on the operation of Shanghai Free Trade Zone. The main goal is to provide insights into the laws and regulations introduced in free trade zones and their impact on enterprises investing there. The free trade zone is a moderate success, which is mainly due to the limited freedom provided by the Chinese authorities. The positive factor of introducing a free trade zone is to confirm the correct direction of China's reform. However, prudent implementing of the policy towards the SAR may reduce the overall impact on the economy. Li&Liu (2020) used four indicators to measure the competitiveness of Shanghai's financial services trade. Next, the regression analysis of the factors that influence the international competitiveness of Shanghai in financial services trade was carried out using the Porter's 'Diamond Model'. The results of the indicator measurement show that Shanghai's global competitiveness of financial services trade is far from that in Singapore, and it has no comparative advantage. The empirical analysis results show that gradually expanding economic opening cooperation and encouraging Chinese financial institutions to participate in market competition fully will enhance Shanghai's international competitiveness in financial services trade and enter the global financial center. Among them, from the perspective of supervision, Zhang & Li (2015) analyzed the financial innovation and supervision risk prevention of Shanghai Free Trade Zone; Liu & Song(2019) discussed the challenges and countermeasures of economic opening to financial supervision in the Shanghai Free Trade Zone. These documents emphasize that Shanghai Free Trade Zone needs to establish a sound supervision mechanism and strengthen risk prevention while financial innovation and opening up. From the perspective of international experience, Zhang & Chen (2015) discussed the international experience of economic liberalization in the Shanghai Free Trade Zone. These papers aim to provide a reference for financial innovation in Shanghai Free Trade Zone, by comparing and analysing the experience of financial opening and liberalisation in free trade zones around the world. From the perspective of development prospects, Yao (2016) analyzes the relationship between financial liberalization and global competitiveness in Shanghai FTZ, and discusses the prospects of financial innovation and development in Shanghai FTZ. These papers put forward specific measures and suggestions, analysing the impact of financial liberalisation on the future economic development of the Shanghai Free Trade Zone.

2.3 Shanghai Free Trade Zone Financial Services

The financial business of the Shanghai Free Trade Zone refers to various

economic activities and services carried out in the Shanghai Pilot Free Trade Zone. The financial industry in the free trade zone is highly open and innovative, attracting many financial institutions, and enterprises to gather here (Eisele, 2018). These financial businesses cover banking, securities, insurance, financial technology and other fields, providing strong support for the economic development of the free trade zone. The characteristics of financial business in Shanghai Free Trade Zone are mainly reflected in the following aspects:

Cross-border financial services: The Shanghai Free Trade Zone is active in promoting cross-boundary financial services development, providing companies with comprehensive financial services, including cross-boundary finance, cross-boundary money transfer and cross-boundary investment (Xing, & Yang, 2019). It will help enterprises to optimize resource allocation and improve operational efficiency on a global scale.

Pilot of financial innovation: As the experimental field of financial reform, FTZ has carried out a series of pilot businesses of financial innovation. For example, valuable experience can be gained for the opening and development of China's financial industry by examining financial reform measures such as capital account convertibility and interest rate marketization.

Application of financial technology: FTZ gives priority to financial technology development and implementation, and encourages financial institutions to use advanced technology, including big data, cloud computing and artificial intelligence, to make financial services more intelligent and convenient. The widespread use of financial technology in FTZ can improve the efficiency of financial business, reduce enterprise costs, and enhance the ability to prevent and control financial risks (Jenter, 2020).

International cooperation: Shanghai Free Trade Zone actively cooperates with international financial centers, introduces advanced international financial concepts and business models, and promotes the integration of financial services in the Free Trade Zone with the international community. At the same time, FTZs also provide enterprises with more convenient cross-border financial services and help them expand overseas markets (Rajah, 2020).

In summary, with its openness, innovation and internationalisation, the financial sector in the Shanghai FTZ has become an important driving force for the development of China's financial industry. As the FTZ continues to deepen and

expand, its financial sector will continue to lead and make significant contributions to reforming, opening up and developing the Chinese financial industry.

2.4 Conceptual Framework

The purpose of this study is to build a theoretical framework about the financial business of Shanghai Free Trade Zone, and provide a solid theoretical basis for the follow-up research. This framework will sort out and analyze the core concepts and main theoretical viewpoints of financial business in Shanghai Free Trade Zone, to provide useful theoretical reference for the development of financial business in global free trade zones, and provide decision-making reference for the further opening and reform of China's financial industry. The main theoretical framework is shown in Figure 2.1:

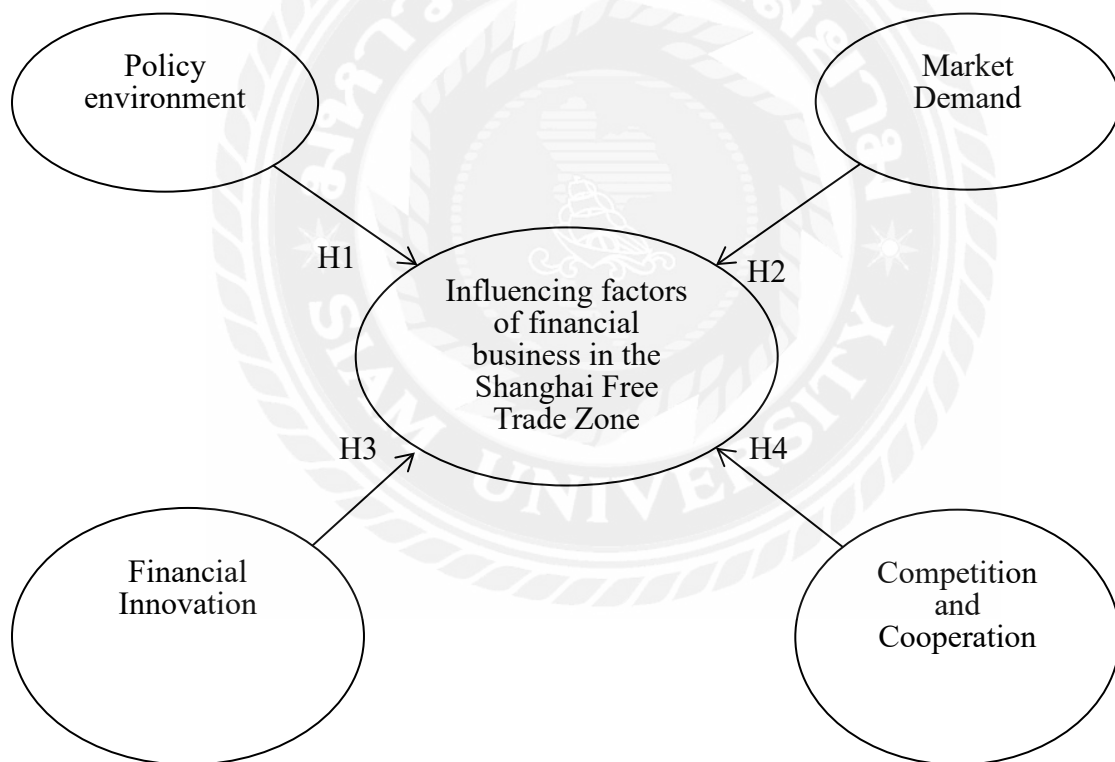


Figure 2.1 Conceptual Framework

Chapter 3 Research Methodology

3.1 Introduction

This study uses a quantitative analysis method to explore the financial business of Shanghai Free Trade Zone. This chapter elaborates on the research design, defines the research objectives and scope, explains the number of samples involved in the study, and introduces the relevant data collection processes and methods to ensure the reliability and effectiveness of the data. The survey scale's reliability and validity are also strictly analyzed to ensure the accuracy and credibility of the study.

3.2 Research Design

This study identified four core first-level indicators to evaluate the influencing factors of financial business development in Shanghai Free Trade Zone: policy environment, market demand, financial innovation, and competition and cooperation. Moreover, to assess these influencing factors more concretely and carefully, it further refined the secondary indicators under each primary indicator. Based on these evaluation indicators, the collected data are systematically sorted out and quantitatively analyzed to reveal the actual role and potential impact of various influencing factors on the financial business development of Shanghai Free Trade Zone. Table 3.1 will show and discuss the specific data analysis results of each influencing factor evaluation index in detail.

Table 3.1 Evaluation Indicators of Questionnaire Data

Primary index	Secondary index
Policy environment	I think the government should provide more financial policy support and incentives to encourage innovation and development in the financial industry.
	I think supervision and regulation of the financial industry should be improved to ensure its healthy development and risk control.
	I think regulators should strengthen the efficiency and transparency of supervision, and promptly identify and address problems and risks in the financial market.

Market demand	I think the demand growth rate of the financial market is expected to continue accelerating, and the financial industry should provide more financial products and services tailored to the needs of different customer groups.
	I think the financial market is highly diversified, and the financial industry should intensify its innovation efforts to develop financial products and services that meet diverse needs.
	I think the financial market is highly diversified, and the financial industry should intensify its innovation efforts in the development of financial products and services to meet diverse needs.
Financial innovation	I think the financial industry should focus on enhancing research and development efforts to improve the application of new technologies. This will lead to a more intelligent and efficient financial industry.
	I think the financial industry should increase product and service innovation and the introduction of products and services with greater market potential and competitiveness.
Competition and cooperation	I think Financial market competition is expected to intensify, so the financial industry must increase its competitiveness and continuously improve its market share.
	I think the financial industry should actively seek cooperation opportunities, strengthen partnerships with quality partners, and improve the financial sector's development level and capabilities..

3.3 Hypothesis

H1: The policy environment has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone;

H2: The market demand has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone;

H3: The financial innovation has a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone;

H4: The competition and cooperation have a positive impact on the development of financial business in Shanghai Pilot Free Trade Zone.

3.4 Population and Sample Size

Financial institutions, enterprises, investors and other relevant stakeholders inside and outside the FTZ are the main target groups for the research on the influencing factors of financial business development in the FTZ. These groups are affected by financial policies, market environment, technological innovation and other factors in the Shanghai FTZ. Therefore, it is crucial to study their opinions. This study employed random sampling to cover various financial institutions and enterprises. It selected 300 respondents from enterprises to participate in the survey through online or offline means. The aim is to gain a deep understanding of the factors that influence financial business development in the Shanghai Free Trade Zone.

3.5 Data Collection

In order to comprehensively and deeply explore the influencing factors of financial business development in Shanghai Free Trade Zone, this study surveyed financial institutions and enterprises in Shanghai Free Trade Zone through questionnaires, and this study collected a large number of questionnaire feedback data. After screening and sorting, this survey obtained a total of 280 valid questionnaires. The feedback of these questionnaires covered different types from financial institutions and enterprises, which ensured the diversity and representativeness of the samples and provided a rich and solid data foundation for subsequent data analysis and research.

3.6 Data Analysis

This paper explores the factors influencing the development of financial business

in Shanghai Free Trade Zone and their relationships, using a questionnaire, a Likert five-point scale, and SPSS statistical analysis. The findings provide decision-making references for the sustainable development of financial business in Shanghai Free Trade Zone.

3.6.1 Questionnaire Survey

Questionnaire survey used to systematically and directly collect the views and opinions of financial business participants in the Shanghai Free Trade Zone on its development influencing factors. The content design of the questionnaire includes policy environment, market demand, financial innovation, and competition and cooperation factors. This study designed a comprehensive questionnaire, which distributed on online and offline. This questionnaire aims to capture the actual voices and opinions of financial business participants in the Shanghai Free Trade Zone and reveal the critical factors through their perspectives. It expects that this survey can provide valuable decision-making reference for the strategists of Shanghai Free Trade Zone.

3.6.2 Likert Five-point Scale

This study uses the Likert five-point method as a data collection and analysis tool to explore the factors that influence financial business development in the Shanghai Free Trade Zone. In the questionnaire design, Richter's five-point scale is used to evaluate influencing factors. Respondents are asked to rate each statement on a scale of 1 (very different) to 5 (very agree) for subsequent quantitative analysis. This scale allows respondents' attitudes and views on different influencing factors to be translated into specific values. This allows for more accurate quantitative analysis and comparison. By using this method, it is possible to gain a more comprehensive understanding of the strength and direction of various factors influencing the development of the financial industry in the Shanghai FTZ, which can help formulate relevant policies and decisions.

3.6.3 SPSS Analysis

Through the use of SPSS, a powerful statistical analysis tool, questionnaire data can be systematically processed, sorted, and analysed. No changes in content have been made. By employing various analysis methods in SPSS, this study can explore the potential relationship between various influencing factors and the development of

financial business, reveal patterns and trends, and verify hypothesis.

3.7 Reliability and Validity Analysis

3.7.1 Reliability Analysis of the Questionnaire

The purpose of reliability analysis is to test the stability and consistency of research results. In this study, we have used the internal consistency method to evaluate the reliability of questionnaire data by calculating Cronbach's Alpha coefficient. The specific analysis results are shown in Table 3.2:

Table 3.2 Reliability Analysis

Variables	N	Cronbach's Alpha
policy environment	3	0.718
market demand	3	0.837
financial innovation	2	0.868
Competition and cooperation	2	0.727

The presented data shows the Cronbach's Alpha values of four variables: policy environment, market demand, financial innovation, and competition and cooperation. The policy environment has three observations (or items) with a Cronbach's Alpha value of 0.718. Market demand also has three observations with a Cronbach's alpha value of 0.837. Financial innovation consists of two observations and has a Cronbach's alpha value of 0.868, which indicates a high degree of internal consistency between the two observations. Similarly, with a Cronbach's alpha of 0.727, competition and cooperation consist of two observations. Thus, market demand and financial innovation have a high internal coherence, while policy environment and competition and collaboration show a comparatively lower, yet tolerable, internal coherence. To ensure stability and reliability of research, these data can serve as a reference for researchers or policymakers regarding the internal consistency of each variable.

3.7.2 Questionnaire Validity Analysis

Validity analysis is employed to determine whether the research tool can accurately measure the object under study. KMO analysis is a statistical method for

assessing sample adequacy, which is used to determine whether data are suitable for factor analysis, to confirm whether questionnaire data are structurally consistent with the research design's influencing factors, and to establish data validity. The reliability analysis results of this survey are shown in Table 3.3 below:

Table 3.3 Questionnaire Validity Test

The KMO values and the Bartlett spheroid test		
Number of KMO sampling suitability quantities		0.901
The sphericity test of the Bartlett	Approximate chi-square	2034.435
	df	207
	Sig.	0.000

During the data validity evaluation process, this study obtained MO values and the Bartlett's sphericity test results. The KMO value of 0.901 indicates that the sample is highly sufficient and suitable for factor analysis. Additionally, the Bartlett's sphericity test result of an approximate chi-square value of 2034.435, with 207 degrees of freedom and a significance Sig. value of 0.000, further confirms the data's validity. The data set is suitable for subsequent factor analysis as the Sig. value is less than 0.05, and this is supported by the KMO value and the results of the Bartlett spherical test. This provides strong data support for in-depth research.

Chapter 4 Findings

4.1 Introduction

Based on the above research design and data collection, this chapter mainly analyzes and summarizes the corresponding data and finally verifies the validity of the above hypothesis.

4.2 Sample Size

Table 4.1 provides information on the distribution of a group by gender, age, occupation, and length of service. The brief analysis is as follows: In terms of gender distribution, there are slightly more men than women, but the whole is more balanced. In terms of age composition, young people under 30 dominate, accounting for nearly half of the proportion, showing that this is a vibrant young group. As regards occupation, the highest share of 40.0% is accounted for by financial professionals, indicating that this group tends to concentrate in the economic field. In addition, managers, entrepreneurs and government officials/civil servants are also a significant part of this group. As for the working time, the staff of less than one year occupies the most significant proportion, accounting for 30.0%, indicating that this group has fast turnover or more new personnel. To sum up, this group consists of young people, with a professional distribution dominated by financial professionals, and shows a certain degree of mobility. For the relevant institutions and organizations in management and development, these characteristics are important points of reference. In order to promote the stability and development of this group, it is necessary to develop appropriate strategies and policies in terms of youth, career characteristics and mobility.

Table 4.1 Statistics on the Characteristics of Respondents

Survey Items	Category	Number of people	Percentage (%)
Gender	Male	154	55.0
	Female	126	45.0
Age	Under 30 years old	125	44.6
	30-40 years old	98	35.0
	40-50 years old	34	12.1
	50 years old or above	23	8.2

Profession	Financial practitioner	112	40.0
	Senior management in a company	50	17.9
	Entrepreneur	35	12.5
	Government officials/civil servants	33	11.8
	A scholar/researcher	27	9.6
	Others	23	8.2
Inaugural time	Less than 1 year	84	30.0
	1-3 years	72	25.7
	3-5 years	65	23.2
	5-7 years	38	13.6
	More than 7 years	21	7.5

4.3 Relationship between Policy Environment and Financial Business in Shanghai Pilot Free Trade Zone

The correlation between standard clarity, standard compliance and customer satisfaction is examined using correlation analysis. See Table 4.2.

Table 4.2 Correlation Analysis Between Policy Environment and Financial Business Development

Dimension	Policy support and incentives	Degree of perfection of rules and regulations	Regulatory effectiveness and regulatory transparency
Policy support and incentives	1		
Degree of perfection of rules and regulations	.823**	1	
Regulatory effectiveness and regulatory transparency	.697**	.682**	1

As can be seen from Table 4.2, there is a significant positive correlation between the three dimensions, namely, the strength of policy support and incentives, the perfection of laws and regulations, and the effectiveness and transparency of supervision. Among them, the correlation coefficient between policy support and incentives and the perfection of rules and regulations is 0.823**, which shows a

strong positive correlation, which shows that the strengthening of policy support and incentives can promote the further improvement of laws and regulations. At the same time, the correlation coefficient between policy support and incentives and regulatory effectiveness and transparency is 0.697**, and the correlation coefficient between the perfection of laws and regulations and regulatory effectiveness and transparency is 0.682**, which also show a strong positive correlation. It indicates that these three factors play the role of mutual promotion and joint development in promoting the development of financial business in the Shanghai Pilot Free Trade Zone.

Table 4.3 Regression Analysis between Policy Environment and Financial Business Development

	Non-standardized		Standardized		t	p	R ²	Adjusting R ²	F
	coefficient	Standard Error	coefficient	Beta					
(Constant)	.526	.102	-		4.924	.000			
Policy Environment	.754	.051	.723		14.221	.000	.526	.521	205.370

Table 4.3 shows that the coefficient of 'policy environment' is 0.754 with a standard error of 0.051, a t-value of 14.221, and a p-value of 0.000. This indicates a significant positive correlation between 'political environment' and financial development. The standardization coefficient of 'political environment' is 0.723, further confirming its positive correlation with financial development.

4.4 Relationship between Market Demand and Financial Business in Shanghai Pilot Free Trade Zone

By the correlation analysis, it analyzes the correlation among system functionality, system usability and customer satisfaction ,which see Table 4.4.

Table 4.4 Correlation Analysis Between Market Demand and Financial Business Development

Dimension	The Growth rate of market demand	Degree of market diversification	Sensitivity of customer demand change
The Growth rate of market demand	1		

Degree of market diversification	.841**	1	
Sensitivity of customer demand change	.687**	.681**	1

From Table 4.4, there is a positive correlation between these dimensions. Among them, the correlation coefficient between the growth rate of market demand and the degree of market diversification is .841**, showing a strong positive correlation. At the same time, the correlation coefficient between the growth rate of market demand and the sensitivity of customer demand change is .687**, and the correlation coefficient between the degree of market diversification and the sensitivity of customer demand change is .681**, all of which show a moderate positive correlation. The analysis results of these data show that these market factors have mutual influence in promoting the development of financial business.

Table 4.5 Regression Analysis between Market Demand and Financial Business Development

	Non-standardized		Standardized		t	p	R ²	Adjusting R ²	F
	B	Standard Error	Beta						
(Constant)	.526	.102	-		4.924	.000			
Market Demand	.762	.051	.728		15.201	.000	.526	.521	204.263

From Table 4.5, there is a significant positive correlation between market demand and financial business development. Market demand has an unstandardized coefficient of .762 and a standardized coefficient of .728, with a t-value of 15.201 and a p-value of .000, all reaching statistical significance, indicating that market demand has a significant positive impact on financial business development. At the same time, the r of the model is 0.526, which means that the market demand can explain 52.6% of the financial business development variation. The adjusted R is 0.521, showing that the model has an excellent fitting degree. In addition, the f value is 204.263, which further verifies the overall significance of the model. In conclusion, market demand plays a crucial role in the development of financial business.

4.5 Relationship between Financial Innovation and Financial

Business in Shanghai Pilot Free Trade Zone

The correlation analysis between application level of financial technology, and Innovation of financial products and services is shown in Table 4.6.

Table 4.6 Correlation Analysis Between Financial Innovation and Financial Business Development

Dimension	Application level of financial technology	Innovation of financial products and services
Application level of financial technology	1	
Innovation of financial products and services	.816**	1

From table 4.6, the correlation coefficient between the application level of financial technology and innovative financial products and services is 0.816**, indicating a significant positive correlation between the two. In other words, with the improvement of the application level of financial technology, the innovation of financial products and services will also be enhanced..

Table 4.7 Regression Analysis between Financial Innovation and Financial Business Development

	Non-standardized coefficient		Standardized coefficient		t	p	R ²	Adjusting R ²	F
	B	Standard Error	Beta						
(Constant)	.513	.102	-		4.924	.000			
Financial Innovation	.754	.051	.716		14.221	.000	.520	.531	204.320

In Table 4.7, the non-standardized coefficient of financial innovation is .754, and its standardized coefficient is .716, which indicates that financial innovation has a strong positive impact on the development of financial business. In addition, from the t-value and p-value, the impact of financial innovation on the development of financial business is statistically significant (t = 14.221, p = .000), which means that there is a great confidence that financial innovation has affected the development of financial business. The r of the model is .520, which means that the financial innovation variables can explain 52.0% of the financial business development variation. The adjusted r is .531, which shows that the model has an excellent fitting

degree. Finally, the F value is 204.320, and the corresponding P-value is 0.000, which shows that the model is marked as a whole, which means that at least one predictive variable is significant in the model. Financial innovation is an important predictive variable for the development of financial business. This is verified by the given information.

4.6 Relationship between Competition and Cooperation and Financial Business in Shanghai Pilot Free Trade Zone

The correlation between the intensity of market competition, cooperation opportunities and partner quality is shown in Table 4.8.

Table 4.8 Correlation Analysis between Competition & Cooperation and Financial Business Development

Dimension	Intensity of market competition	Cooperation opportunities and partner quality
The intensity of market competition	1	
Cooperation opportunities and partner quality	.819**	1

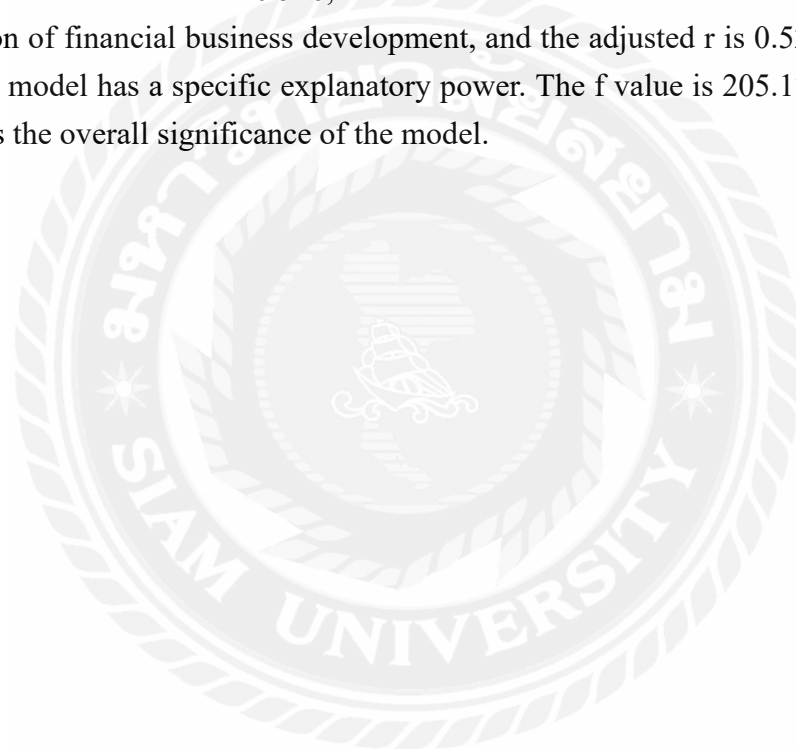
As can be seen from Table 4.8, the intensity of market competition, cooperation opportunities and quality of partners. The results of correlation analysis finds that there is a significant positive correlation between these two dimensions, in which the correlation coefficient between the intensity of market competition and the quality of cooperation opportunities and partners is 0.819**, which shows a close relationship between market competition and cooperation opportunities and quality of partners.

Table 4.9 Regression Analysis between Competition & Cooperation and Financial Business Development

	Non-standardized coefficient	Standardized coefficient	t	p	R2	Adjusting R2	F	
	B	Standard Error	Beta					
(Constant)	.514	.102	-	4.924	.000	.526	.524	205.170

Competition				
&	.734	.051	.732	14.221.000
Cooperation				

Table 4.9 shows that the factors of competition and cooperation significantly affect financial development. The non-standardized coefficient for competition and cooperation is 0.734, with a standardized coefficient of 0.732. This highlights the importance of competition and cooperation in financial development. From the statistical significance, the t value is 14.221, and the p-value is 0.000, both of which have reached a very high relevance level, which shows that the "competition and cooperation" factor is the key driving force for the development of financial business. In addition, the r of the model is 0.526, which means that the model can explain the 52.6% variation of financial business development, and the adjusted r is 0.524, which shows that the model has a specific explanatory power. The f value is 205.170, which further verifies the overall significance of the model.



Chapter 5 Conclusion and Recommendation

5.1 Introduction

This chapter will summarize and discuss the results of the above research data, put forward the corresponding development suggestions for the financial business of Shanghai Free Trade Zone.

5.2 Conclusion

5.2.1 The Policy Environment Has a Positive Impact on the Development of Financial Business in Shanghai Pilot Free Trade Zone

Table 4.3 confirms the positive impact of the policy environment on the development of financial business in the Shanghai Pilot FTZ, showing a strong positive correlation between the policy environment, laws and regulations, regulatory effectiveness and transparency. To continuously strengthen this positive influence, it suggests that policymakers continue to deepen policy support, improve relevant laws and regulations, and improve the efficiency and transparency of supervision. At the same time, financial institutions should also actively respond to policy guidance and strengthen self-discipline to ensure sustainable business development in a healthy policy environment.

Based on the above analysis, to further promote the development of financial business in the Shanghai Pilot Free Trade Zone, it will continue to increase policy support and incentives, provide a more favorable policy environment for financial institutions, encourage innovative business and product research, and development, and promote the vitality and diversification of financial markets. At the same time, it is necessary to ensure the stability and sustainability of policies and provide long-term development support for financial institutions. Laws and regulations should be continuously improved to meet the needs of innovation and development in financial business. This will ensure fairness, justice, and transparency in financial markets. Intensify the crackdown on violations, maintain the order and security of the financial market, and provide a solid legal guarantee for the steady development of financial business. Improve the efficiency and transparency of supervision, strengthen coordination and cooperation among regulatory agencies, and form an efficient and

unified supervision system. Adopt advanced scientific and technological means to improve the intelligent level of supervision and realize accurate identification and timely response to financial business risks. Additionally, transparency in supervision should be enhanced, communication and interaction with market players should be strengthened, and market confidence and stability should be improved.

5.2.2 The Market Demand Has a Positive Impact on the Development of Financial Business in Shanghai Pilot Free Trade Zone

The analysis of Table 4.5 shows that there is a significant positive correlation between the market demand of this study and the development of the financial business in the Shanghai Pilot Free Trade Zone. The development of financial business has been positively promoted by the increase in market demand. The growth and development of the financial business in the Shanghai pilot FTZ is the result of the market demand, and the market demand has been an important driving force for the development of the financial business.

Based on the above regression analysis results, market demand has a decisive and vital impact on the financial business development in Shanghai Pilot Free Trade Zone. In the current highly competitive financial market, financial institutions must always be vigilant and keep up with the pulse of market demand. Only by accurately grasping the market demand can financial institutions ensure the market competitiveness of their products and services and then achieve sustainable development. To meet the changing market demand, financial institutions should spare no effort to innovate products and services, including developing new financial products, providing services that were not available before, or combining scientific and technological means to provide a more convenient, efficient, and safe financial service experience. Through such innovation, financial institutions can not only meet the needs of consumers but also lead the market trend to a certain extent and promote the progress of the whole industry. At the same time, optimizing customer experience is also an indispensable part of financial institutions. In today's increasingly homogeneous financial services, customer experience is a critical factor in determining consumers' choices. To ensure a positive customer experience when using financial services, financial institutions should prioritize optimizing business processes and improving service efficiency from the customer's perspective.

In addition, strengthening marketing strategy is also a vital means for financial

institutions to meet market demand. Through accurate market positioning and diversified marketing methods, financial institutions can expand brand awareness and attract more potential customers, thus further stimulating market demand. The government and relevant regulatory authorities should also pay close attention to changes in market demand and provide robust policy support and regulatory guidance for financial institutions. For instance, policies can incentivise financial institutions to innovate. Simultaneously, regulatory authorities can promptly adjust their strategies to ensure the stability and healthy development of the financial market.

5.2.3 The Financial Innovation Has a Positive Impact on the Development of Financial Business in Shanghai Pilot Free Trade Zone

In the regression analysis in Table 4.7, the non-standardized coefficient of financial innovation is .754, and its standardized coefficient is .716, which shows that financial innovation has a strong positive impact on the development of financial industry, and also verifies the importance of financial innovation as a predictive variable to the development of financial business.

Financial innovation is a critical factor for the development of the financial industry in the Shanghai Pilot FTZ. For the FTZ to gain a competitive edge in the global financial market, it is also an important driving force. Under the background of the rapid development of the global financial market and science and technology, only continuous financial innovation can ensure that the financial business of Shanghai Pilot Free Trade Zone keeps pace with the times and is at the forefront of the times.

Financial institutions must first strengthen their innovation mechanisms to encourage employees to try out new ideas and innovate in order to achieve sustainable financial innovation. At the same time, financial institutions must cooperate closely with various scientific research institutions and universities to develop and ensure that innovations can emerge continuously jointly. The efforts of financial institutions alone are not enough, and the support of policies and supervision is also crucial. The government and relevant regulatory authorities should provide policy support and incentives for financial institutions. This is not just about financial support, but more importantly about creating a relaxed and inclusive environment for innovation. This will allow financial institutions to explore and experiment while ensuring legal compliance. Risk management is of particular importance in the process of innovation in the financial sector, as innovative financial businesses often come with unknown risks. In order to promote innovation while safeguarding against risks and protecting

consumer rights, financial institutions need to establish a sound risk management system. In the Shanghai Pilot Free Trade Zone, cross-industry cooperation and innovation are also essential to promote the development of financial enterprises. Financial institutions can work closely with science and technology, manufacturing, logistics and other industries to develop financial products and services with cross-border characteristics that meet the diverse needs of the market. The key to innovation in the financial sector is talent. Developing and recruiting talented people, especially those with innovative thinking and professional skills, must therefore be a priority for financial institutions. By creating a conducive working environment and implementing an incentive mechanism for talented individuals, their creativity and ideas can be effectively harnessed. This is a constant source of motivation for financial innovation in Shanghai.

5.2.4 The Competition and Cooperation Have a Positive Impact on the Development of Financial Business in Shanghai Pilot Free Trade Zone

Based on the regression analysis in Table 4.9, it is clear that "competition and cooperation" factors significantly affect the development of financial business in Shanghai Pilot FTZ. The value of the coefficient is high and statistically significant, which indicates that the factors of competition and cooperation are important factors in promoting the development of the financial business. The R and adjusted R values of the model show that this factor can explain a significant proportion of the variation in the development of the financial business, which confirms the importance of this factor.

To further enhance the position of Shanghai Pilot Free Trade Zone in the global financial market, the key factor of "competition and cooperation" must be further strengthened, to exert its positive influence on the development of financial business. By optimizing the competitive environment, stimulating the innovation vitality of financial institutions, and ensuring that the market operates on a fair and just basis, outstanding financial institutions can stand out. At the same time, cooperation is a crucial way to achieve common progress and prosperity. Through close cooperation among financial institutions, the advantages of all parties can gather to jointly develop new financial products and improve the overall financial service level of the market. On this basis, Shanghai Pilot Free Trade Zone should strive to become the core competitiveness area of the global financial market. Relying on its unique policy advantages and financial innovation practice, it will attract international financial institutions to gather and build an international financial center. This will not only

promote the internationalization of China's financial industry, but also inject new vitality into the global financial market. Finally, continuous financial innovation and market cultivation will promote the continuous innovation and prosperity of the entire financial industry. Based on competition and cooperation, financial institutions will continuously improve their disease resistance, provide more efficient and stable financial support for the real economy, and develop together with the global financial market.

5.3 Recommendation

1. Policy Level

policy stability and continuity are crucial to maintain the competitiveness and attractiveness of the FTZ. Erratic policies can make financial institutions uncertain, affecting their long-term investment decisions. Therefore, it recommends that the FTZ maintains prudence and stability in policy-making to ensure consistent implementation of introduced policies. However, stability should not be equated with rigidity. As the financial industry evolves, some policies may require fine-tuning or optimization to adapt to the new market environment. For example, with developing fintech, issues such as how to tax it and how to ensure fair competition in the market require clear guidance at the policy level. Therefore, the free trade zone should optimize and improve relevant policies such as taxation and market regulation according to the actual situation of financial business, ensure that policies match business development, and promote the healthy and stable development of the financial market.

2. Market Demand Response

In the era of globalization, the needs of financial markets change rapidly. In order to remain competitive, the FTZ must always keep up with the pulse of the market and understand the latest demand for financial services at home and abroad. Regular market research and timely capture of changes in market demand have become the key to developing financial business in the free trade zone. Understanding market demand is crucial for guiding business innovation and ensuring that the financial services and products provided by the FTZ always meet market demand. This is essential for achieving sustainable development and prosperity in financial business.

3. Talent Strategy

Talents is at the core of finance, particularly in the context of globalization,

where high-end international financial talent has become a scarce resource.. The FTZ should recognize the importance of talents and increase the cultivation of internal talents, including the provision of global training and learning opportunities to enable employees to continuously improve themselves and adapt to the requirements of the international financial market. At the same time, the FTZ should also actively attract and tap high-end financial talents worldwide, by providing competitive development opportunities and benefits to attract these talents to join to build a diversified and international top financial team.

4. Technological Innovation Leadership

In the digital age, fintech is changing the traditional financial business mode. To facilitate the digital, networked and intelligent development of financial business, the FTZ should promote cooperation between financial institutions and technology companies in the research, development and application of fintech. The FTZ should establish a fintech innovation pilot zone to ensure the safe and practical application of fintech innovations. This facility will provide a risk-controlled environment for financial institutions to ensure that new technologies can be fully verified before widespread implementation, in addition to serving as a testing ground for new technologies and models.

5. International Cooperation

In the context of globalization, it is not desirable to work behind closed doors. Free trade zones should strengthen cooperation and exchanges with other international financial centers, learn from their successful experiences and models, and jointly study and promote the innovation and development of global financial business. Such collaboration should not limit for exchanging knowledge and experience, but should also be extended to the actual business level. Through cooperation, financial institutions in the free trade zone can enter a broader market and obtain more business opportunities to realize the global development and expansion of business.

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Appendix

Questionnaire on Influencing Factors of Financial Business Development in Shanghai Free Trade Zone

Hello, sir/madam!

Thank you for taking the time to participate in this survey. The purpose of this questionnaire is to understand the influencing factors of financial business development in Shanghai Free Trade Zone, so as to provide valuable reference for policy formulation and industry development. Your opinions and opinions are very important to us, and the results of the questionnaire survey will provide important data support for the research. All information in this questionnaire will be kept strictly confidential and will only be used for academic research and analysis, and will not be used for commercial purposes. Thank you for your support and participation!

Part 1: Basic information

1. Your gender: male female.
2. Your age: under 30 years old 30-40 years old 40-50 years old 50 years old or above.
3. Your occupation: financial practitioner, corporate executive, entrepreneur, government official/civil servant, scholar/researcher and others.
4. Your employment time: 1 year or less 1-3 years 3-5 years 5-7 years 7 years or more.

Part 2: Survey scale

This scale lists four main aspects related to the financial industry: policy environment, market demand, financial innovation and competition and cooperation. For each aspect, three options are listed, namely, strongly agree, strongly disagree and two intermediate options between options: general and disagree. Through these options, investigators can collect opinions and opinions related to the financial industry to guide the development and improvement of the financial industry.

Primary index	Secondary index	option				
		Very Agree	Agree	General	Disagree	Very Disagree
Policy environment	I think the government should provide more financial policy support and incentives to encourage innovation and development in the					

	financial industry.					
	I think supervision and regulation of the financial industry should be improved to ensure its healthy development and risk control.					
	I think regulators should strengthen the efficiency and transparency of supervision, and promptly identify and address problems and risks in the financial market.					
Market Demand	I think the demand growth rate of the financial market is expected to continue accelerating, and the financial industry should provide more financial products and services tailored to the needs of different customer groups.					
	I think the financial market is highly diversified, and the financial industry should intensify its innovation efforts to develop financial products and services that meet diverse needs.					
	I think the financial market is highly diversified, and the financial industry should intensify its innovation efforts in the development of financial products and services to meet diverse needs.					
Financial	I think the financial industry should focus on enhancing					

innovation	research and development efforts to improve the application of new technologies. This will lead to a more intelligent and efficient financial industry.					
	I think the financial industry should increase product and service innovation and the introduction of products and services with greater market potential and competitiveness.					
Competition and cooperation	I think Financial market competition is expected to intensify, so the financial industry must increase its competitiveness and continuously improve its market share.					
	I think the financial industry should actively seek cooperation opportunities, strengthen partnerships with quality partners, and improve the financial sector's development level and capabilities..					

Thank you for your active participation in this questionnaire, and have a nice life.