

An Analysis of the Promoting Effect of Capital Market Opening on Economic Growth

Jian-Xiao Gao*

Shanghai Normal University, Shanghai, 200030, China

*Correspondence to: Jian-Xiao Gao, Shanghai Normal University, Shanghai, 200030, China, E-mail: 2472134595@qq.com

Abstract: In the context of deep global economic integration and the accelerated advancement of financial liberalization, this paper conducts an in-depth analysis of the promoting effect of capital market opening on economic growth. In terms of resource allocation, capital market opening guides capital flows toward more efficient sectors, thereby improving the efficiency of resource utilization. For corporate development, it provides diversified financing channels, promotes improvements in corporate governance, and stimulates innovative vitality. With respect to related industries, it facilitates the development of the digital economy and the financial sector, while also driving consumption growth. Through multiple dimensions, capital market opening promotes the optimization of the economic structure and injects new momentum into economic growth, serving as a key pillar for high-quality economic development.

Keywords: Capital market opening; economic growth; promoting effect

Introduction

In the context of the accelerating process of global economic integration, capital market opening has become an important development trend in the economic policies of many countries. Capital market opening is not only a key measure for integrating a country's financial system with the international market, but also exerts a profound influence on economic growth. It breaks through the limitations of traditional financial markets, enabling factors such as capital, technology, and talent to flow and be allocated more freely on a global scale. An in-depth examination of the promoting effect of capital market opening on economic growth helps us better understand the laws of economic development, formulate scientific and

reasonable policies, and promote sustained and healthy economic growth.

1. Capital Market Opening Promotes the Optimal Allocation of Resources

1.1 Guiding Capital Flows Toward Efficient Sectors

Capital market opening breaks down geographical barriers to capital flows, allowing global capital to move freely across a broader range of markets in search of investment opportunities with high efficiency and high returns. Emerging market economies, with their significant growth potential and relatively high returns on investment projects, often become favored destinations for international capital. The large inflow of foreign capital injects strong financial momentum into key areas such as infrastructure construction



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and manufacturing upgrading in these countries ^[1]. Taking infrastructure construction as an example, many emerging market economies face substantial gaps in transportation, energy, and communication infrastructure, which severely constrain further economic development. The entry of foreign capital enables these countries to accelerate the pace of infrastructure development. In some Southeast Asian countries, foreign investment has participated in the construction of modern ports, airports, and highways. This has not only improved local transportation conditions and reduced logistics costs, but also enhanced regional economic spillover effects, creating favorable conditions for the development of related industries. In terms of manufacturing upgrading, foreign capital brings advanced technologies and management experience. Traditional manufacturing enterprises can improve production processes, enhance product quality, and increase productivity through cooperation with or the introduction of foreign investment. For example, after attracting foreign capital, some Chinese manufacturing enterprises have learned advanced production management models and quality control systems from abroad, successfully achieving a transformation from low-end manufacturing to high-end manufacturing and enhancing their position in the global industrial chain.

1.2 Improving Resource Utilization Efficiency

Capital market opening promotes the intertemporal allocation of capital. The key to economic growth lies in transforming current savings into future investment, and capital markets realize this transformation through equity financing and debt financing mechanisms. Taking biopharmaceutical enterprises as an example, the development of an innovative drug often requires an investment of hundreds of millions of yuan, with a research and development cycle lasting 8–10 years, during which firms face significant technological and market risks. Due to constraints related to risk assessment and loan maturity, traditional banks are often reluctant to provide loans to such enterprises. Capital markets, however, are able to offer full-chain support: from providing early-stage funding for start-ups during the venture capital phase, to supporting firm expansion during the private equity stage, and finally supplying long-term and stable capital for large-scale expansion through public listings ^[2]. Capital

market opening also facilitates corporate mergers and acquisitions. Mergers and acquisitions are important means for enterprises to achieve scale expansion, extend industrial chains, and realize transformation and innovation. Through horizontal mergers, enterprises can expand production scale, achieve economies of scale, reduce production costs, and enhance market competitiveness. For instance, in the steel industry, some large steel enterprises have improved overall industry competitiveness by merging with smaller firms, integrating resources, optimizing production layouts, and increasing industrial concentration. Vertical integration enables enterprises to extend along the industrial chain, achieve coordination between upstream and downstream industries, reduce transaction costs, and enhance supply chain stability. Automobile manufacturers, for example, can better control the quality and supply timing of components by acquiring parts suppliers, thereby improving overall production efficiency and product quality. Cross-industry acquisitions provide opportunities for enterprises to pursue transformational innovation, allowing traditional firms to rapidly enter new market segments and achieve diversified business development by acquiring firms in emerging industries.

2. Capital Market Opening Promotes Corporate Innovation and Development

2.1 Providing Financing Support for Enterprises

Capital market opening establishes diversified and multi-tiered financing channels for enterprises, accurately matching their capital needs at different stages of development. Start-up enterprises, much like toddlers learning to walk, often lack collateral and stable cash flows, making it difficult for them to obtain loans from traditional financial institutions. In this context, equity crowdfunding and venture capital serve as timely sources of support. Equity crowdfunding platforms enable start-ups to present their business models and growth prospects to a broad base of investors and raise early-stage funds, while venture capital institutions, relying on professional teams and extensive experience, not only provide capital but also offer management consulting, market expansion assistance, and other forms of support. For example, after obtaining venture capital, some technology-oriented start-ups have increased R&D

investment, accelerated technological innovation, and launched competitive products, thereby laying a solid foundation for subsequent development. As enterprises enter the growth stage, their business scale expands and capital demand increases. The National Equities Exchange and Quotations (NEEQ, or the “New Third Board”) becomes an important platform for showcasing corporate value and attracting investment. After being listed, enterprises can raise funds through private placements and other means to expand production, upgrade technology, and expand markets. A high-end equipment manufacturing enterprise, after being listed on the New Third Board, raised RMB 230 million through two rounds of private placements. The funds were used to purchase precision processing equipment and introduce technical teams, significantly enhancing production capacity. As a result, its output value increased from RMB 120 million to RMB 780 million within three years, while also driving the development of upstream and downstream small and medium-sized enterprises^[3]. Enterprises in the mature stage typically possess strong market competitiveness and profitability, with diversified financing needs. Listing on the main board or the ChiNext board provides them with stable, long-term capital while enhancing corporate visibility and credibility. Listed enterprises can also raise additional funds through seasoned equity offerings and bond issuance. For instance, after a biotechnology company was listed on the STAR Market, it raised RMB 1.5 billion through two additional equity offerings, which were used to build R&D centers and overseas clinical bases. Its R&D investment ratio increased from 12% to 25%, and the number of patents grew fivefold within three years, enabling the firm to achieve independent and controllable core technologies.

2.2 Promoting the Upgrading of Corporate Governance

Capital market opening imposes higher requirements on corporate governance structures and drives enterprises to establish modern corporate governance systems. Listing serves as an important catalyst for governance upgrading, as enterprises are required to establish standardized systems for shareholders’ meetings, boards of directors, and supervisory boards, clearly defining responsibilities and authorities to form a governance mechanism characterized by mutual checks and balances. At the same time, enterprises are encouraged to appoint independent external directors

to provide objective and impartial advice for decision-making, thereby enhancing the scientific rigor and rationality of corporate decisions. Listed enterprises are also required to disclose key information publicly and accept social supervision, which enhances transparency and protects investor rights. This “reverse pressure mechanism” compels enterprises to abandon autocratic management models, introduce professional managers, and improve internal control systems. Professional managers bring advanced management concepts and methods, improving overall management standards and operational efficiency. For example, a traditional manufacturing enterprise was directly managed by its founder prior to listing, with decision-making lacking systematic and scientific foundations. After listing, the company established audit and remuneration committees, appointed chief financial and compliance officers, and implemented standardized process systems. Three years later, inventory turnover increased by 40% and management costs declined by 25%. The efficiency gains generated by governance upgrading were more sustainable, laying a solid foundation for the enterprise’s long-term development.

2.3 Incentivizing Corporate Innovation

Capital market opening incentivizes corporate innovation through wealth effects. After technology enterprises go public, the equity value held by founders and core technical teams increases substantially. This tangible financial return not only rewards past innovation but also serves as a powerful incentive for future innovation. Entrepreneurs in the artificial intelligence sector, for instance, have noted that once company market capitalization exceeded RMB 10 billion, young engineers became more motivated, and more talent was attracted to shift from a preference for stability toward innovation, forming a virtuous cycle of “talent agglomeration–technological breakthroughs–industrial upgrading.” The valuation and pricing mechanisms of capital markets for innovative enterprises also encourage firms to increase innovation investment. Capital markets place significant emphasis on enterprises’ “future value,” enabling innovative firms to obtain financial support commensurate with their development potential. Data show that in recent years, more than 60% of enterprises financed through capital markets have belonged to strategic emerging industries, a proportion far higher than that of similar

enterprises receiving bank credit. This has promoted technological innovation and industrial upgrading, thereby contributing to economic growth.

3. Capital Market Opening Drives the Development of Related Industries

3.1 Promoting the Development of the Digital Economy

Capital market opening has become an important catalyst for the development of the digital economy. As a key intermediary for the capitalization of production factors, capital markets play a significant catalytic role in unlocking the value of digital factors, optimizing the valuation and pricing of digital assets, and advancing the growth of the digital economy. On the one hand, capital markets effectively promote the securitization of digital assets, providing financing support for the development of the digital economy. China's capital markets have continued to leverage mechanisms of risk sharing and benefit sharing, guiding more capital toward digital industrialization and the digital transformation of traditional industries. By offering diversified financing channels, capital markets enable digital enterprises to obtain sufficient funding for technological R&D, product innovation, and market expansion^[4]. At the same time, capital markets have effectively driven the digital transformation of traditional industries. Benefiting from financing support provided by capital markets, traditional industries have accelerated their pace of digital transformation in recent years. According to relevant data, the majority of listed companies in the sample have already begun to promote digital transformation, with manufacturing enterprises accounting for the largest share. Through the empowerment of digital technologies such as big data, cloud computing, the industrial internet, the Internet of Things, and artificial intelligence, listed companies have significantly enhanced the "digital productivity" of key functions, including finance, administration, sales, production and manufacturing, supply chain procurement, and customer management. This has enabled managerial optimization and improvements in production efficiency, effectively enhancing the quality and efficiency of traditional business operations and strengthening differentiated competitiveness. Taking Yunnan Baiyao as an example, the traditional extensive production, processing, and trading model for Panax

notoginseng had long constrained the high-quality development of the notoginseng industry. As China's largest producer of notoginseng products, Yunnan Baiyao has increased investment in digitalization and established a digital notoginseng industry platform. Through big-data-based traceability covering planting, processing, circulation, and sales of key raw materials such as notoginseng and Paris polyphylla, the company has promoted the traditional Chinese medicinal materials industry toward greater standardization, data orientation, and informatization.

3.2 Promoting the Development of the Financial Industry

Capital market opening fosters the diversified development of the financial industry. As an important participant in financial markets, banks play a critical role in influencing overall market stability through their trading behavior and risk management capabilities during the process of capital market opening. Through prudent asset allocation and effective risk management, banks can reduce systemic risks in financial markets. For example, banks can adjust their asset structures in accordance with market conditions and their own risk tolerance, allocating funds across assets with different risk levels to avoid excessive concentration in a single sector or asset. This helps mitigate systemic risks arising from price fluctuations in individual assets. At the same time, banks' innovative activities in capital markets—such as introducing new financial products and services—can enrich investment options and meet the diverse needs of investors. Capital market opening also attracts more financial institutions into the market, intensifying competition. With the opening of capital markets in developing countries, more joint-venture financial institutions and wholly foreign-owned institutions emerge, engaging in intense competition with domestic financial institutions in areas such as financial services, market share, technology, service quality, and talent. Although foreign financial institutions, with their long histories, advanced hardware and software facilities, strong capital bases, high asset quality, and extensive market experience, may exert significant competitive pressure on domestic institutions in the short term, in the long run such competition compels domestic financial institutions to continuously enhance their competitiveness, thereby promoting the overall development of the financial

industry.

3.3 Stimulating Consumption Growth

Capital market opening stimulates consumption growth by increasing residents' property income. In the past, household wealth in China was mainly held in the form of bank deposits, with returns derived solely from interest income, which for a long time remained lower than GDP growth rates. In recent years, with the development of capital markets, residents have increasingly participated in investment through stocks, mutual funds, and wealth management products, leading to a continuous rise in the proportion of property income in total household income^[5]. Taking public mutual funds as an example, some equity-oriented funds have achieved relatively strong returns over extended periods. Among investors holding these funds, a portion has used part of their investment gains for housing purchases, automobile consumption, or children's education, thereby directly stimulating consumption. The development of capital markets has enabled residents' wealth to appreciate in value, enhanced their consumption capacity and willingness to consume, and thus promoted the prosperity of the consumer market, playing an important role in driving economic growth.

Conclusion

The promoting effect of capital market opening on economic growth is both significant and multifaceted. From optimizing resource allocation to fostering corporate innovation and development, and further to driving the prosperity of related industries, capital market opening functions like a powerful engine

propelling the economy forward. It not only improves the quality and efficiency of economic growth, but also enhances economic resilience and vitality. Looking ahead, further deepening capital market opening, improving relevant institutional frameworks and regulatory systems, and fully leveraging its positive effects will help create more favorable conditions for economic growth and achieve high-quality and sustainable economic development.

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