The Strategy Research on the Venture Capital Promoting the “Four New” Economy in Shanghai

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ABSTRACT

China's economy has stepped into a new normal, innovation-driven development has entered into a new phase, "Four New" economic development has become an important starting point for economic transformation and upgrading, which includes new technology, new industry, new format and new business mode. How to accelerate the development of venture capital industry to implement economic linkage of venture capital and "Four New" is an important measure to boost economic transformation and upgrading of Shanghai. Based on the current situation of investment in Shanghai and the development of "Four New" economy, this paper puts forward the key areas and main problems of venture capital to promote the "Four New" economy, and finally gives practical policy recommendations.

KEYWORDS

Venture Capital; "Four New" Economy; Transformation and upgrading.

INTRODUCTION

China has entered a new stage that must rely on innovation driven development to promote structural adjustment and industrial upgrading, which needs the help and catalysis of venture capital. As a leader in technology innovation and implementation of innovation driven development, Shanghai is vigorously supporting the "Four New Economy", namely, the development of new technology,

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new business mode, new format and new industry, promoting transformation and upgrading of traditional industries, and grasping the new situation and new mission. This is an important starting point for innovation driven development and economic transformation and upgrading. The technology fields are integrating, and technology and industry are also developing in the direction of intelligence, ubiquitous, interconnected, green and healthy. Innovation paradigm diversification; innovation cycle; innovative elements flow, a dynamic multipolar global innovation network is rapidly formed, Shanghai must play together the talents of innovation, innovation potential, enhance the ability of innovation resource allocation, the formation of good ecological innovation, rapid transformation of innovation, and promote the "Four New" economic development.

VENTURE CAPITAL AND THE CURRENT SITUATION OF "FOUR NEW" ECONOMIC DEVELOPMENT IN SHANGHAI

The development of venture capital and the "Four New" economy are closely linked, and funding agencies invest in general is "Four New technologies and new industries in the new economy, the venture capital fund to guide social capital flows driven by a large number of" Four New "economic field, but also the unique" base + venture investments fund "mode is conducive to promoting innovation of the fusion, cultivation of" Four New "enterprise.

Investment Institutions Focus on "Four New" Investment

Venture capital has a natural preference for high-tech industries with huge value-added potential, focusing on the key areas of the "Four New" economy. From the perspective of the industry distribution of venture capital companies, venture capital institutions prefer to invest in the new generation of information technology industries, such as Internet of intellectual property rights and light assets, such as Internet, telecommunications and value-added services, IT industry, etc. At the same time, due to strategic emerging industries by the support of national policy guidance, to further promote the attention of venture investment in these industries, according to incomplete statistics, nearly three years of Shanghai venture investment institutions to pay more attention to the high efficiency and energy saving technology, new energy and environmental engineering, IT industry, network industry, medicine industry, new material industry, communications equipment communication and culture, entertainment, optoelectronics and optoelectronic integration, bio technology, science and technology service for the forefront. The investment promotes Shanghai to find new growth points in the economic field, promotes the development of the "Four New" economy and accelerates the transformation and upgrading of the industrial structure of Shanghai.
**Venture Capital Fund to Drive the Flow of Social Capital to "Four New"**

As early as 2006, Pudong set up the first national policy support fund, Pudong New Area venture capital guidance fund. In 2007, it added 650 million yuan to the total social investment, the total amount was 10.935 billion yuan, and the magnification effect was 17.5 times. "Shanghai venture capital guiding fund temporary management measures" clearly pointed out, leading fund is to guide private funds to invest in key areas in Shanghai, especially strategic emerging industries, and major investments in early stage of seed period, the enterprise, and the connotation of the "Four New" economy. In 2017, the Ministry of science and technology released 8 venture capital sub funds of the international science and Technology Achievements Transformation Fund, and 1.2 billion yuan of 10 billion yuan of the Shanghai investment fund of the state investment to Shanghai project. It gathered capital strength for Shanghai high tech enterprises.

**The Model of "Base + Fund" Gradually Forms the Model of Venture Capital**

In recent years, in the help and support of the relevant departments, Shanghai has strengthen the construction of the business park and business incubator in the construction, and adhere to the business park and incubator service enterprise function, the transformation of scientific and technological achievements, to cultivate high-tech enterprises, cultivating innovative talents as the central task of construction of the platform, get the county, universities and research institutes actively. Since 1988, the first business incubator "Shanghai city science and technology innovation center was established, the development of incubators has a great development for many years from both the quantity and quality in Shanghai. Shanghai incubator implements the mode of "urban linkage, multi input and regional incubator network". It forms a diversified investment pattern which is mainly invested by the government, universities, venture capital companies and private institutions.

Venture capital institutions actively explore new operation mechanism, create the whole process service system from implantation of entrepreneurial project to transformation and development, and widely adopt the new investment mode of "base + fund", so as to promote rapid integration of all kinds of innovation elements. For example, starting business camp is mainly based on the model of "incubating field + investment fund", and concentrating on early stage investment in TMT, new media, health care and other fields. Yangpu District has set up an innovative service chain with venture capital as the leading Business Incubator + Incubator + accelerator. It is committed to the construction of professional incubators, to guide and support the development of new and entrepreneurial service organizations that are socialized and marketed, and to actively cultivate new technologies and new industries.
"FOUR NEW" AREAS AND FUTURE INVESTMENT IDEAS

Recommendations for the development of key areas in Shanghai

From the current development of Shanghai "Four New" economic point of view, mainly focus on health and Ecology (Healthy) (Ecological) (Advanced, manufacturing) and digital products (Digital) such as the construction of Shanghai leader (HEAD) strategy needs to expand the layout, the application direction and strategy of product and function and related key technologies are different. But according to the ultimate goal of industrialization, can use "support - cultivation - planning" three gradient strategy development. Support a number of emerging fields with a development base and a larger scale of industry. For such areas, we should base ourselves on the original high-tech industries and continue to increase support. We should sort out the industry chain, subdivide the specific industry direction, and continue to dig out the enterprises with outstanding characteristics and strong driving force. We should plan a number of industries with a certain degree of difficulty or foresight, and gradually transfer them to Shanghai. It is necessary for Shanghai to improve the innovation and venture investment environment in the region and to plan and develop the basic technology on which the "Four New" economic form depends. It also monitors the enterprises in the market and relaxes the policies on these technologies and industries in time so as to ensure that the government's public service is in place. To cultivate a number of areas which have already possessed the conditions of industrialization and make it gradually transition to scale and industrialization? According to the need to go all out to fight the upstream industries, Shanghai needs to cultivate its focus, guide its scale and industrialization; otherwise, there will be more projects after hatching and development, because the government is not in place in the docking industry, caused by industrial development lagged behind.

Investment Ideas in the Key Areas of the Venture Capital Institution

Deeply understanding and grasping the development law of "Four New" economy and strengthening the docking of scientific and technological resources and venture capital. To overcome the various obstacles in the development of emerging strategic industries, to make full use of our institutional advantages, promote the combination of government, enterprise, science and technology and the investment community. Business model innovation; venture capital and financial institutions to innovative investment model, support the financing of enterprises. In the future, in the national science and technology major projects and major scientific and technological industrialization project implementation process, we should further study the relation of "Four New" economy emerging industries in the formation and development of the technology innovation chain and capital chain. Through the effective combination of the government and the market, every link of the development of the new industry will be worked out, and the "barrier lake" is
eliminated so that the whole "River" is flowing. We should explore the establishment of the state-owned venture investment institution's decision and execution system, incentive and restraint system, asset management and transaction system. Establishing a regular communication mechanism with the "Four New" economic authorities and enriching the mode of cooperation with commercial banks. Venture capital institutions establish mutual recommendation mechanism, through its own investment philosophy and professional investment management capabilities, effectively identify and prevent risks, increase the quality of the customer source, and actively promote the investment loan linkage.

THE PROBLEMS EXISTIONG IN THE DEVELOPMENT OF "FOUR NEW" ECONOMIC DEVELOPMENT BY VENTURE CAPITAL

In recent years, the government has introduced a series of policies and measures to support the development of the "Four New" economic development and promote the development of venture capital industry. However, at present, the linkage between venture capital institutions and the "Four New" economy is still facing many difficulties, which restrict the further development of the "Four New" economy.

Investment Institutions are Low in Proportion to Local Projects

According to the survey and statistics, the proportion of the investment institutions in Shanghai in this city is less than 50%. Some venture capital institutions reflect a lot of "Four New" enterprises set up in Shanghai, but to a certain stage of development, for the human cost, office space rental and other business costs, some enterprises choose to leave Shanghai, slightly larger scale enterprises only R & D and its headquarters in Shanghai. The relocation of a group of "Four New" high-quality enterprises directly led to the gradual shift of Shanghai venture capital from Shanghai to Zhejiang, Jiangsu and other neighboring provinces, which also affected the development of Shanghai's "Four New" economy.

The Investment Intensity of the Transition Period in the Transition Period of the Venture Capital Investment Institution

The number of start-ups in the "Four New" economy is large, and the risk of investment is generally relatively large. According to the Shanghai Venture Capital Association statistics, in 2015 the city of Shanghai for venture capital investment enterprises in the seed stage, the initial phase of the case a total of 232 cases. In 2015, a variety of "Internet plus" entrepreneurial enterprises to seize the market boom, with commercial characteristics of the asset light, heavy mode got many angels and venture capital institutions financing. In the first half of 2015, the frenzy of investment market also caused some high valuation and serious bubbles, which
led to the increase of investment cost. Many investment institutions adjusted the investment stage earlier.

**The Industrial Chain of the Venture Capital Organization Does Not Match the Growth Chain of the "Four New" Enterprise**

In the period of angel investment and incubation, Shanghai has limited land area, high cost and low atmosphere of innovation. When the "Four New" enterprise development to a larger scale, need to complete the acquisition and integration of industry, mergers and acquisitions and not enough funds to enter. Early hatching is not in place, the enterprise cannot fall; until the business scale, and the lack of fund mergers and acquisitions or large enterprise acquisition needs, often by foreign or foreign acquisitions, resulting in growth of enterprises in Shanghai "Four New" in the economy gradually lost, affect the strategic layout of Shanghai the "Four New" economy, the formation of "flower in Shanghai, harvest in other cities".

**Venture Capital Institution Can Enjoy a Decrease in the Proportion of the Amount of Taxable Income**

In 2015, 58 companies of venture capital enterprises for the taxable income of 1 billion 362 million 968 thousand yuan, can enjoy the tax deduction for 200 million 259 thousand and 100 yuan, can enjoy the deduction for the amount of taxable income accounted for 14.69%. Although the actual enjoyment of the deductible amount increased dramatically, but compared with the amount of taxable income, the actual benefit is not ideal. Many venture capital institutions in the actual process of investigation and feedback, in accordance with the "notice on the implementation of the enterprise income tax preferential investment" (National Tax Bureau No. [2009]87, referred to as No. 87) the implementation of income tax preferential conditions remain relatively harsh, especially in the new "high new technology enterprise" standard, entrepreneurial enterprises at the same time can meet the "small" and "new" two standard is more less.

**POLICY SUGGESTIONS ON PROMOTING THE "FOUR NEW" ECONOMIC DEVELOPMENT OF SHANGHAI BY VENTURE CAPITAL**

**Actively Encourage Venture Capital Investment Institutions to Invest in Shanghai Local Projects**

We should give some support to local venture capital institutions in the form of municipal venture capital, guiding fund support, tax preferences and financial subsidies, so as to improve the enthusiasm and activity of venture capital institutions to invest in local enterprises. At the same time, in the aspects of talent introduction and office space lease, we must promote the preferential treatment of all districts and
counties and parks to start businesses, so as to improve Shanghai's innovation and entrepreneurship environment.

**Promoting the Investment of Venture Capital Institutions in the Early and Mid-term Projects**

Angel investment focus on the period and the start of business investment to increase the proportion of seed, angel investment will help alleviate the difficult dilemma of Four New economy of financing of small and micro enterprises, can greatly help these enterprises in the early and mid-life cycle stage to survive, the survival and development of the soil and provide space for the early stage of enterprise.

**Vigorously Develop Enterprise Venture Investment (CVC)**

Under the guidance and support of the government, the venture capital industry in this city has been developed, but it is necessary to further encourage the large enterprise group to set up CVC. It is beneficial for large enterprises to integrate the upstream and downstream resources of the industrial chain, to obtain new technologies, new fields and new markets, and to ensure the future development of the enterprises.

**The Mutual Investment of the Special Fund and the Venture Capital Organization**

The government's special funds for innovation and special funds for industrial development have invested more investment in mature industrial projects. In the process of developing the "Four New" economy, the venture capital fund has a keen sense of market smell and can excavate a large number of high quality enterprises and projects. The government's special funds should be linked with the investment of venture capital institutions. It is suggested that the way of investment should be adopted to support the B financing of special funds to the enterprises, and to consolidate the innovation power of all sides so as to push the venture investment to invest in the "Four New economy".

**Promote the Development Model of "Base + Fund + Training Base"**

According to the Shanghai municipal industrial layout, the establishment of the characteristics of venture capital in different regions of the gathering area, promote the development model of "base + foundation + training base", let the hatch sites, venture capitalists, fund managers and venture enterprises, play the scale effects, and strive to improve the "Four New" enterprise incubation efficiency, encourage conditions of the county and the park for incubators, venture capital institutions, "Four New" enterprise to formulate the corresponding policy support.
REFERENCES