

Problems and Countermeasures about Chinese Stock Market

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Abstract. This paper takes China's stock market as the research object, and deeply analyzes the existing problems and causes of China's stock market through gathering information and data from the Internet and few websites. First of all, this paper briefly summarizes the development process of China's stock market and points out the problems that temporarily existed in the market: the unreasonable market structure, imbalance of investor structure, imperfect regulatory system, and large market volatility. On this basis, this paper puts forward targeted countermeasures and suggestions through the author's analysis. Specifically, these countermeasures and suggestions are improving the market structure, optimizing the investor structure, improving the regulatory system, and reducing market volatility. In addition, this paper also emphasizes the importance of strengthening international cooperation and learning from international advanced experience. Through the analysis, the paper verifies the effectiveness of the proposed countermeasures and provides theoretical support and practical guidance for the reform and development of China's stock market. This study helps to improve the transparency and efficiency of China's stock market and promote the long-term stability and healthy development of the market.

Keywords: Stock market; National economy; Market development.

1. Introduction

The importance of the stock market as a core component of the financial market is self-evident. It is not only an important channel for enterprises to raise long-term funds, promoting the optimal allocation and rational flow of capital, but also reflects the operating conditions and macroeconomic situation of listed companies through price discovery mechanisms [1-2]. For investors, the stock market provides diverse investment options and opportunities for risk diversification, making it an important platform for achieving wealth appreciation. At the same time, the activity of the stock market has also promoted the development of financial innovation and financial services, enhancing the overall vitality and stability of the financial market. Therefore, the stock market plays an irreplaceable role in promoting economic growth, optimizing resource allocation, protecting investor interests, and promoting financial stability

In the wave of globalization and information technology, China's stock market is not only the witness of the rapid growth of China's economy but also the forefront of the deepening reform of the financial market. Since the reform and opening up, especially since the beginning of the 21st century, China's stock market has made remarkable achievements in terms of scale, activity, and internationalization. However, with the continuous expansion and complexity of the market size, a series of deep-seated problems gradually emerge, such as the unreasonable market structure, imbalance of investor structure, imperfect regulatory system, and large market volatility. These problems not only restrict the further development of the market but also pose challenges to the confidence of investors and market stability. Therefore, it is of profound strategic significance to deeply explore the existing problems and countermeasures of China's stock market for promoting the healthy development of the market and maintaining financial stability.

The purpose of this paper is to comprehensively sort out the main problems facing China's stock market and put forward targeted countermeasures and suggestions through in-depth analysis of its causes and effects. This not only helps market participants to better understand the market dynamics, improve scientific and effective investment decisions, but also provides theoretical reference for

regulatory agencies to promote the optimization and improvement of regulatory policies. At the same time, the research in this paper also has important practical significance, which is related to the long-term development of China's capital market and has inestimable value for improving the financial ability to serve the real economy and promoting economic transformation and upgrading.

2. Problems

2.1. Unreasonable Market Structure

The structural problems of China's stock market are mainly reflected in the single level and overlapping functions. Although the main board market has been relatively mature, its financing support for small and medium-sized enterprises is inadequate. Although the GEM and the Science and Technology Innovation Board are designed to fill this gap, their development speed and coverage are still limited and unable to fully meet the diversified financing needs of enterprises of different sizes and types [3]. At the same time, the interconnection mechanism between markets has not been fully improved, which directly leads to low efficiency of resource allocation and lack of overall market vitality. The capital flow and information transmission between different sectors are not smooth, which makes the market unable to realize the optimal allocation of resources and limits the overall development potential of the market. This structural problem not only affects the depth and breadth of the market but also restricts the growth space of enterprises, especially small and medium-sized enterprises, and poses a challenge to the healthy development of the entire financial system.

2.2. Imbalance of Investor Structure

Retail investors account for the vast majority of China's stock market, a phenomenon that leads to a serious imbalance in the market's investment structure. As retail investors generally lack professional investment knowledge and rich market experience, they are vulnerable to market sentiment in their investment decisions, which leads to the widespread existence of short-term speculation. At the same time, the proportion of institutional investors in the market is relatively low, which makes their role in stabilizing the market and guiding rational investment not fully reflected. This imbalance in investor structure not only aggravates the volatility of the market, which affects market stability, but also causes damage to the long-term healthy development of the market. Frequent short-term speculation may lead to the formation of market bubbles, which may trigger severe market volatility once market sentiment reverses. In addition, without the guidance of institutional investors, the market may be difficult to form a long-term value investment concept, thus affecting the overall investment quality and efficiency of the market [4].

2.3. Imperfect Regulatory System

As the cornerstone of the healthy operation of the market, the importance of the regulatory system is self-evident. However, in China's stock market, regulatory problems are still prominent, including lax market access standards, defects in the information disclosure system, and inadequate implementation of trading rules. These problems provide a breeding ground for irregularities such as market manipulation and insider trading while also weakening the fairness and transparency of the market and causing direct damage to the interests of investors. The loose market access standards enable some institutions and individuals who do not have enough strength and credibility to easily enter the market, increasing the risk of the market. The unsound information disclosure makes it difficult for investors to obtain comprehensive and accurate information, which affects their decision-making ability. The poor implementation of trading rules undermines market order and aggravates market volatility. Together, these problems not only damage the overall image of the market but also reduce investors' confidence in the market, posing a serious threat to the long-term stability and healthy development of the market [5].

2.4. Large Market Volatility

China's stock market has shown great volatility due to the joint influence of multiple factors such as the domestic and foreign economic environment, policy adjustments, and market sentiment. This volatility not only directly increases the investment risk of investors but also may cause market panic and the spread of unstable factors. In today's global economic integration, the fluctuations of the international market can often be quickly transmitted to the domestic market, further aggravating the uncertainty of the market. Fluctuations in economic data, international trade frictions, changes in monetary policy, and major policy adjustments may all be triggers for market volatility. In the face of these uncertainties, investors often struggle to make stable investment decisions, thus exacerbating market volatility. In addition, the large market volatility also makes it difficult for market participants to grasp future expectations, which further affects the stability of the market and investors' confidence.

3. Countermeasures

3.1. Improve the Market Structure

The optimization of market structure is the cornerstone of the development of China's stock market. At present, it is necessary to build a multi-level capital market system including the main board, GEM, science and innovation board, and regional equity market to meet the financing needs of enterprises in different development stages, sizes, and industries. The main board market should continue to consolidate its position as the main channel of financing for large enterprises while promoting institutional innovation and enhancing market attractiveness. The growth enterprise board and the science and technology innovation board should focus on innovative enterprises and high-tech enterprises, stimulating market vitality through more flexible listing standards and regulatory mechanisms. In addition, strengthening the interconnection between markets, such as establishing a smooth board transfer mechanism to realize the free flow of resources between different markets, is of great significance to improving overall market efficiency [6-7].

3.2. Optimize the Investor Structure

The improvement of the investor structure is the key to stabilizing the market and promoting market maturity. At present, retail investors account for a high proportion of China's stock market, and their investment behaviors are often short-term, blind, and follow the trend, which aggravates the volatility of the market. Therefore, it is necessary to take multiple measures to guide long-term funds into the market, such as attracting long-term funds like social security funds and pension funds into the market through tax incentives and policy support, so as to play a role in stabilizing the market. At the same time, strengthen the education and training of retail investors, enhance their risk awareness and investment ability, guide them to form the concept of rational investment, and reduce the occurrence of irrational trading behaviors [8].

3.3. Improve the Regulatory System

The improvement of the regulatory system is an important guarantee for fair, just, and open operation of the market. It is necessary to further strengthen market supervision, improve the information disclosure system, and ensure the authenticity, accuracy, integrity, and timeliness of market information. Specifically, it is necessary to strengthen the supervision of market access, trading behavior, information disclosure, and other aspects, establish and improve the risk early warning and emergency response mechanism, and timely find and handle market risks. At the same time, strengthen the crackdown on market manipulation, insider trading, and other illegal activities, increase the cost of illegal actions, and form an effective deterrent effect. In addition, the innovation and application of regulatory technology should be strengthened, and modern information technology means such as big data and artificial intelligence should be used to improve the efficiency and accuracy of regulatory technology [9].

3.4. Reduce Market Volatility

The reduction of market volatility is an important goal for maintaining market stability and protecting the interests of investors. To achieve this goal, it is necessary to strengthen the management and guidance of market expectations. Specifically, a policy release mechanism and market communication should be established to stabilize market expectations and reduce market panic. At the same time, optimize the market liquidity management mechanism by introducing the market maker system, expand the scale of margin and short-selling business to improve the market liquidity level and reduce the risk of market volatility. In addition, it is necessary to should strengthen international cooperation and exchanges and draw on international advanced experience to enhance the international competitiveness and anti-risk ability of China's stock market. The implementation of these measures is expected to build a healthier, more stable, and more efficient Chinese stock market to provide strong support for the high-quality development of the real economy [10].

4. Conclusion

This paper not only reveals the challenges faced by the current market but also points out the direction for the future development and methods of improvement of the market. Implementing corresponding resolutions to address the accurate problems that exist in the stock market is quite necessary and essential. However, it needs to be emphasized that solving these problems is not achieved overnight but requires the concerted efforts of the government, regulators, market participants, and all sectors of society. Looking into the future, with the continuous development of China's economy and the increasing maturity of the financial market, it is believed that the stock market will gradually mature, stabilize, and prosper, becoming an important force to promote the high-quality development of China's economy.

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