



## **SUSTAINABLE DEVELOPMENT OF THE LOCAL GOVERNMENT INDUSTRIAL INVESTMENT FUND IN HENAN, CHINA**

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### **Abstract:**

The purpose of this study is to explore the determinants of sustainable development of the industrial investment fund for the local government in Henan, China. In China, the industrial investment fund began with the establishment of an overseas investment fund. China has become the second-largest equity investment market in the world. In recent years, industrial capital has thrived. Local government investment funds in China also have a broader role and value and become an important financing channel that can be operated and promoted by local governments. Methodologically, this study constitutes a quantitative study. Rather than describing variables as a cause, another is the effect. In this study, it is aimed at all residents in Henan Province, China. The review uses the simple random sampling method under the probability sampling design, utilising survey methods that include standardised questionnaires. Finally, 520 samples were used for this study. The result shows that industrial investment fund for the local government in Henan, China will be an infrastructure for economic progression.

**Keywords:** sustainable development, local government, industrial investment fund

### **1. Introduction**

In China, the industrial investment fund began with the establishment of an overseas industrial investment fund (Wu and Ma, 2018; Wu et al., 2008; Yau et al., 2008; Ying et al., 2016; Yinxing, 2016). According to the Interim Measures for the Management of Industrial Investment Funds formulated by the former National Development Planning Commission in 2006, Industrial Investment Funds (or Industrial Funds for short) which

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refers to a system of collective investment sharing benefits and risks of equity investment and management services for unlisted enterprises to set up a fund company by issuing fund shares to most investors (Shi, 2016).

In the recent years, industrial capital has thrived as stated in The Review and Prospect of China's Equity Investment Market (2018) has shown RMB investment in China's Equity Investment Market exceeded 620 billion Yuan in 2018, with 8861 investment cases, 450 billion Yuan in foreign currency investment and 1160 investment cases. In terms of scale, China has become the second largest equity investment market in the world. The main reason is that the local government of China guides the participation of funds let China's equity investment market be in a high position (Lin, Jung & Zheng, 2018). Due to the slowdown of local government's economic growth and fiscal revenue growth, as well as the high demand for medium and long-term capital from local governments, local governments have begun to explore new models of monetary fund's to adapt to market operation (Gu & Lu, 2014). However, due to its relatively appropriate legal framework and risk situation, local government investment funds in China also have a broader role and value and become an important financing channel that can be operated and promoted by local governments. After the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China made an important decision to deepen the reform of the economic system, the investment and financing modes of local governments have been gradually adjusted from the single debt-raising mode to the creditor's rights and equity financing mode, it has genuinely been participated in the financing, venture capital, infrastructure and other industries of small and medium-sized enterprises in various provinces and regions, and opened a new situation for the government to supplement and replace creditor's rights financing with equity (Gu & Lu, 2014).

In recent years, local governments in China have actively led the establishment of investment funds, and the main body of the establishment has gradually moved down, by the end of June 2018, 1171 government industrial investment guidance funds had been set up in China, with a total target of 5.85 trillion Yuan, the size of the fund has exploded. Huang (2018) stated that by the end of June 2018, 546 government industrial investment guidance funds had been set up in East China, with a total target size of 2,174.7 billion Yuan, ranking first in the country in terms of quantity and target size; the total target size of the government-industry investment guidance fund in North China is 1,554.1 billion Yuan, which is the second largest in China; South China has set up 154 government guidance funds, ranking second in the country; central China (Henan Province) the number of investment guidance funds is similar to that of Southwest China, but it is ahead of Southwest China with a target scale of 472.9 billion Yuan; Northeast China and Northwest China the number and target scale of government-industry investment guidance fund are close (The National Bureau of Statistics of China, 2019).

As a parent fund, industry guidance fund invests in many sub-funds. Compared with model 2, this model leads to the emergence of funds in the form of parent funds, through parent fund and sub-fund, we can realize the investment of the project, it not

only embodies the government's control over the industrial direction in the selection of sub-funds by fund managers (Chen, 2011; China Venture Capital Institute, 2012), but also embodies the principle of market operation in the selection of sub-funds, it has dual functions of policy guidance and market choice, therefore, it is widely used by government-guided funds (Baker and Wurgler, 2002; Berger and Udell, 1998; Berger and Udell, 1995).

Compared with industry guidance fund, the shareholders of fund managers include the management units of the park to represent the interests of the park parties, most of the investors of the park's guiding fund are shareholders of the fund manager, who jointly manage the investment operation of the park's guiding fund, by looking for sub-funds to invest in the park project bank (Chen, 2004; Chen and Strange, 2005; Li et al., 2011).

Although not funded by the government, but state-owned enterprises background companies can refer to this model to set up development funds for related industries, after self-financing is inferior, the bank's preferred capital should be leveraged (George and Mallery, 2003; Berkman et al., 2016; Brigham et al., 2004). Firstly, the fund is invested through the management channel, and then the trusted channel invests the fund into the project. At present, the regulation is more stringent, and this mode will be affected to some extent in the environment of channel business call-off.

Government investment funds are important limited partners (LPs) in hybrid funds. According to the survey report of CITIC, the main obstacles encountered in the development are as follows: Domestic LP private equity investment experience is insufficient, and the number of qualified LP is limited; the domestic policy and legal environment is not mature enough, LP lacks the ability to choose GP and risk control; among them, LP lacks investment experience and reduced ability of GP selection and risk control, accounting for 17.93% respectively; there are fewer qualified LPs in China, accounting for 17.39%; the legal environment is immature, accounting for 14.49% (The National Bureau of Statistics of China, 2019).

Recalling the situation of new domestic and foreign listed companies in Henan Province compared with Zhejiang, Hubei, Hunan, Anhui and Sichuan provinces compared with other provinces, the overall situation of listed enterprises in Henan province is insufficient (Jinping et al., 2015; Hailiang et al., 2016; Frank et al., 2009; Gang, 2015). Firstly, from 2016 to 2018, there were 12 new domestic and foreign listed companies in Henan Province, which lagged behind other comparative provinces in quantity; secondly, the average P/E ratio of listed companies at home and abroad in Henan Province is low, this is mainly due to the listed companies both at home and abroad in Henan Province commercial Bank similar enterprises mostly, the market underestimates the investment value of Henan listed companies; from the perspective of VC/PE permeability, from 2016 to 2018, only 25.0% of the newly listed enterprises in Henan Province gained the support of equity investment institutions, which is a particular gap compared with other comparative provinces. At the same time, it also shows that strengthening the financing support role of equity investment institutions to Henan

enterprises has a potential support role in expanding the quantity and quality of listed companies both at home and abroad in Henan (Qing Research Centre, 2018).

Henan Province is restricted by high cost and limited channels in the financing process with many obstacles such as financing through the issuance of corporate bonds and bank loans, which lead to high financing cost and difficulties. Financing difficulties faced by small and medium-sized enterprises as well as high-tech enterprises have become increasingly prominent and is severely restricting the development and growth of enterprises. Therefore, the development and improvement of Henan Industrial Investment Fund as a productive investment and financing tool has important practical significance for enriching the financing channels of enterprises, alleviating the financing difficulties of enterprises, guiding and optimising the regional industrial structure, and improving the capital market. In addition, due to overcapacity and economic downturn, whether listed companies with many financing channels or relevant functional departments, the ability and motivation of direct investment in related industries are insufficient, investors are more willing to invest through the establishment of relevant industrial investment funds and professional management team, so as to achieve the purpose of decentralizing risk and focusing too much on a single industry (Jinping, 2016; Kaplan et al., 2000; Klein et al., 2002; Jinju et al., 2016).

In recent years, Henan Province has set up more than 40 funds in advanced manufacturing, and modern service industries invested 12.71 billion Yuan and made significant progress in quantity and scale (Lucey et al., 2013; Luig and Sorin, 2009; Luther et al., 2005; Li et al., 2009). Henan province has set up 12 funds such as “*one belt and one road*” for the new urbanization, with a total investment of nearly 96 billion Yuan, providing strong support for the construction of significant projects such as the airport infrastructure and affordable housing projects, while solving the severe shortage of funds for infrastructure construction (Wang et al., 2011; Wang et al., 2014; Lisboa, 2017; Liu et al., 2006). The government has guided social capital to set up 12 funds for the development of small and medium-sized enterprises for scientific and technological innovation, the funds invested exceed 3 billion Yuan, 164 enterprises have been supported to promote the development of small and medium-sized enterprises. By the end of 2017, 65 industrial investment funds had been set up in Henan Province, totalling 245.067 billion Yuan. However, the development of industrial investment funds cannot be separated from the support and guidance of government policies (Qing Research Center, 2018).

Therefore, under the guidance of the government, local government industrial investment funds need to centralize the establishment of government-led industrial investment funds to attract social capital and broaden financing channels for small and medium-sized enterprises, optimize corporate equity structure, promote free innovation and upgrading transformation of enterprises, and effectively exert the leverage amplification effect of government financial funds. Secondly, the traditional industries are facing the predicament of excess capacity, which is mainly manifested in the backward growth mode, the lagging transformation of new and old kinetic energy, the

prominent structural contradiction, the low quality of the supply system and the insufficient innovation ability. Therefore, the objective of this study is Determinants of a Sustainable Development of the Industrial Investment Fund for the Local Government in Henan, China.

## 2. Literature Review

### 2.1 Positive External Theory

Externalities externality theory of evolution is the concept of Cambridge school of Alfred Marshall proposed first, in 1890 he published "The Principles of Economics," wrote: "for the economy in production scale, whether we can give it is divided into two types, the first type, the common development of the expansion of production depends on the industry; Second, the expansion of production comes from the efficiency of resource organization and management of a single enterprise". We call the former 'external economy' and the latter 'internal economy'. In 1924, Pigou, a student of Marshall, further studied and improved the externality in his famous work welfare economics. He proposed the concepts of "internal diseconomy" and "external diseconomy". Positive externality refers to the fact that in economic activity, the economic subject not only gains utility for itself but also gains additional economic benefits for other economic subjects who have not paid economic costs, and the extra economic benefits are not reflected in the transaction price. Due to the existence of positive externalities, market failure often occurs in innovation and entrepreneurship activities, which makes it particularly important to give full play to the role of the "invisible hand" of the government. As the investment objects of venture capital, most start-up enterprises are characterised by high and new technologies and high operational risks. The key to attract venture capital is to realise excess returns through the research and development of high and new technologies and listing of these enterprises. As the rapid development of venture capital enterprises, the r & d activities are prone to market failure due to their positive externalities. If the cost of other innovative enterprises in the market through non-r & d activities is less than the cost through r & d, then rational enterprises will give up r & d activities. For example, the existence of piracy and copycat problems in the market economy, although these piracy enterprises are faced with legal and reputation risks when the cost brought by such risks is less than the cost of their creation and research and development, rational people will choose not to innovate. Another example is that the cost for venture capital enterprises to legally obtain the rights to use high-tech and copyright through the transfer of copyright is less than the cost of research and development, which is also similar to the phenomenon of "lemon market".

On the other hand, institutional economics theory points out that when external factors cause market failure, it can be corrected by economic, administrative and legal means. The government can encourage enterprises to continue scientific and technological innovation through tax adjustment and financial subsidies for enterprises providing positive externalities. After the establishment of the government venture capital guiding fund, it operates in a market-oriented model. The government forms a

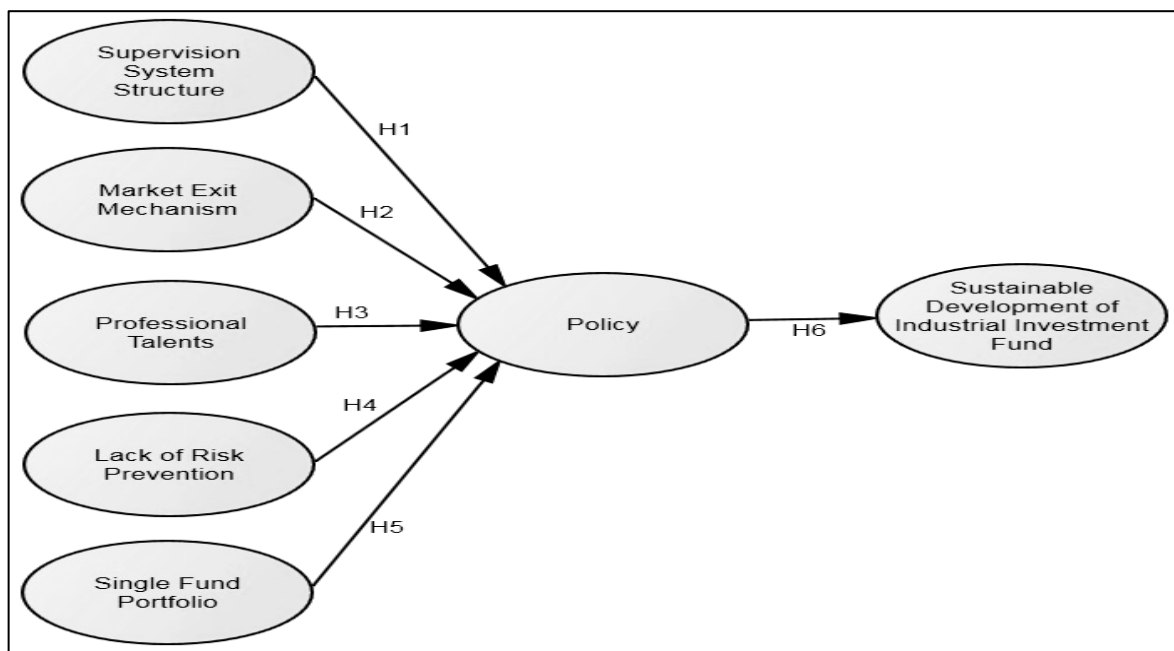
fund through investment and venture capital institutions, thus reducing the degree of risk investment mechanism. Economic theory points out that when the market fails due to external factors, it can be corrected by economic, administrative and legal means. The government can encourage enterprises to continue scientific and technological innovation through tax adjustment and financial subsidies for enterprises providing positive externalities. After government venture capital guiding fund operating as a market-oriented, the government investment funds and venture investment institutions, thereby reducing the risk of venture capital institutions, at the same time the government through the mechanism of "benefiting the people", in guiding fund exit the startup investment enterprise produce income to the government section for most of the proceeds at a disadvantage to venture investment institutions. Under the premise of reducing risks, the driving mechanism of improving expected returns of venture capital institutions guides more venture capital to enter the venture capital market, thus solving the financing difficulty of venture capital enterprises to a certain extent.

## 2.2. Theory of Sustainable Development

Sustainable development theory is a new development concept of contemporary human beings. *"It is realised by reflecting on human's production and living behaviour and worrying about reality and future when the world is facing three major problems of economy, society and environment."* Since 1992, the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, established sustainable development as a common strategy of human society, the theory of sustainable development has become the guiding and research focus of world development. In recent years, the research on sustainable development theory in China is on the rise. Some scholars conclude from the perspective of practice: *"Sustainable development is the coordinated interaction of politics, economy, culture and ecological nature; its essence is the sustainable development of human production practice and practical ability"*. The theory of sustainable development has indeed brought us a new level of thinking and mode of thinking. It contains rich ideological connotations and profound philosophical ideas and encourages people to develop from the coordinated development of ecological environment and economic development to the development of financial, industrial, cultural and human social activities. The sustainable development of local government industrial investment funds in China has attracted the attention of scholars: the core of sustainable development is economic development. In the book, *Economics, Natural Resources, Insufficiency and Development*, Edward B. Barbier defines sustainable development as *"maximising the net benefits of economic development while maintaining the quality of natural resources and the services they provide"*. *"Economic development is the main way to establish the concept of sustainable development"*, and the sustainable development of economic development itself *"should be the important content and the first field of sustainable development strategy"*. I think so. If the essence of sustainable development is the sustainable development of human production practice and practical ability, then the sustainable development of

local government industrial investment fund is the sustainable development of economic development.

Strengthen the supervision of the fund operation of industrial investment funds to avoid the risk of market failure. The government should take part of the limited financial funds to invest in the industrial investment fund, so it needs to take necessary measures to strengthen the control of the capital risk of the industrial investment fund, to avoid the loss of the capital of the industrial investment fund due to human factors. In addition, in the follow-up development of industrial investment funds, we should establish and perfect strict approval process, establish diversified fund market, encourage enterprises to innovate and form various financial derivatives, strengthen the supervision of financial derivatives market, and learn from advanced foreign experience to improve the development of China's funds, but we cannot completely copy the experience of other countries. We should draw lessons from China's national conditions and create good external conditions for the smooth operation of the industrial investment fund market (Wang, 2003).



**Figure 1:** Conceptual Framework

In order to test the relationship between policies, six hypotheses were put forward in Figure 1. Therefore, the research hypothesis is as follows:

**H1:** There is a positive and significant relationship between supervision system structure and policy.

**H2:** There is a positive and significant relationship between market exit mechanism and policy.

**H3:** There is a positive and significant relationship between professional talents and policy.

**H4:** There is a positive and significant relationship between lack of risk prevention and policy.

**H5:** There is a positive and significant relationship between the single fund portfolio and policy.

**H6:** There is a positive and significant relationship between policy and sustainable development of industrial investment fund.

### 3. Materials and Methods

This study constitutes a quantitative study. Based on a model framework, the existing literature and previous studies on the regulatory mechanism, market exit mechanism, professionals, lack of risk prevention, fund convergence are independent variables. The policy is an intermediate variable, and sustainable promotion of industrial investment fund development is a non-independent variable. Rather than describing variables as a cause, another is the effect. Quantitative studies of common frameworks examine causality (Sekaran and Bougie, 2016). Therefore, the dependent variable is affected by the independent variable/variable, and its effect can be positive or negative. In this study, it is aimed at all residents in Henan Province, China. The purpose of this study is to examine the factors affecting the development of local government industrial investment funds in China, so the population is composed of individuals. And, the present study employs the simple random sampling method under the probability sampling design, because this study focuses on all residents in Henan Province, China. The sampling technique will be surveyed method for this study, as it is accepted as the best method to investigate the personal and social facts, beliefs, motivation, approach, concerns (Hamid, 2014). Hence, the sample frame of the present study is all residents in Henan Province, China.

### 4. Findings

520 samples were finally used for this study and consists of 311 are females and 209 are males. Thus, the gender distribution is considerably even. Additionally, the occupational breakdown of the respondents comprises 46.2% of Academicians, 24.6% of Lawyer and 23.7% of Government Servants while the remaining 5.6% were Businessman. Out of 520 respondents, 12.5% are endowed with Masters degree qualifications and 0.8% are Doctorates. The smaller number of PhD degree holders is in line with the figures provided by the ministry in which there is only a few PhD degree holders in the country (Collis & Hussey, 2009). Moreover, 46.7% are Degree holders whereas 26% have minimum of Diploma proficiency. Allegedly, 14% are furnished with pre-university education. Table 1 stages the summary of descriptive statistics of the demographic background of the respondents of this study.



**Table 1:** Descriptive statistics of the demographic background of the respondents

Variable		Frequency	Percent
Age	18 to <26	109	21.0
	26 to <30	79	15.2
	30 to <35	89	17.1
	35 to <40	61	11.7
	40 to <45	60	11.5
	45 to <50	39	7.5
	50 to <55	40	7.7
	55 to 60	43	8.3
	Total	520	100.0
Gender	Male	209	40.2
	Female	311	59.8
	Total	520	100.0
Occupation	Academician	240	46.2
	Lawyer	128	24.6
	Government Servant	123	23.7
	Businessman	29	5.6
	Total	520	100.0
Education Level	Foundation / Pre-U	73	14.0
	Diploma	135	26.0
	Degree	243	46.7
	Postgraduate (Masters)	65	12.5
	Phd / Doctorate	4	.8
	Total	520	100.0

The KMO test that measures the sampling adequacy stipulated 0.955. Hence, the sample size is adequate (Newman,2011). Moreover, Newman (2011) recommended 0.5 as a minimum KMO value and also designated values above 0.9 as superb.

**Table 2:** Summary of Final KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.954
Bartlett's Test of Sphericity	Approx. Chi-Square	19107.126
	Df	741
	Sig.	.000

Reliability analysis is conducted to test the internal consistency of the data set based on Cronbach's alpha value. The Cronbach's Alpha of the constructs are over 0.7 which are inside the adequate greatness. Subsequently, reliability of the constructs is confirmed as given in Table 3.

**Table 3:** Summary of Reliability Analysis

Variable	N of Items	Cronbach's Alpha
Supervision system structure	5	0.931
Market exit mechanism	5	0.930
Professional talents	5	0.937

Lack of risk prevention	5	0.896
Single fund portfolio	5	0.936
Policy	5	0.937
Sustainable development	5	0.955

There are 5 items in this construct. Bagozzi and Yi (1988) sanctions composite reliabilities of greater than 0.60 is satisfactory. Thus, that being the case, composite reliabilities of all the constructs is satisfactory. Similarly, average variance extracted of more than 0.50 is essential. Consequently, the average variance extracted of all the constructs is significant. Moreover, Average Variance Extracted and Composite Reliability values in Table 4 for each construct in the measurement model shows an adequate convergent validity and discriminant validity in the model.

**Table 4:** Average Variance Extracted and Composite Reliability values of the constructs

	Average Variance Extracted	Composite Reliability
Sustainable development	0.801	0.952
Policy	0.741	0.934
Supervision system structure	0.731	0.931
Market exit mechanism	0.724	0.929
Professional talents	0.762	0.927
Lack of risk prevention	0.632	0.894
Single fund portfolio	0.741	0.934

After conducting the CFA for measurement models in each variable in the conceptual framework, the Structural equation modeling (SEM) was performed to test the fit between the research framework and the obtained data. The model fitting criteria of the structural regression model is shown in Table 5.

**Table 5:** Model Fit of the Structural Model

	Index	Model Fit Indices' Threshold	Research Model	Decision
Absolute fit indices	RMSEA (LO90, HI90)	p<0.08	0.064, 0.070	Satisfied
	CFI	≥0.90	0.917	Satisfied
Incremental fit indices	IFI	p>0.90	0.917	Satisfied
	TLI	p>0.90	0.910	Satisfied
Parsimony fit indices	Normed Chi Square	P<5	3.332	Satisfied
	PCFI	p>0.50	0.847	Satisfied

Hence, all the model fit indicators of the structural regression model are within the acceptable threshold. In testing for multivariate normality, Mardia's critical ratio was 101.545 (more than 5). Hence, multivariate normality assumption is not met. Therefore, in the estimation of the coefficients, the bootstrap method was used.

Table 6 presents the statistics of structural regression model. There is a significant impact ( $\beta = 0.558$ ,  $p < 0.05$ ) of Supervision system structure on Policy. The 95% confidence interval for Supervision system structure is [0.420, 0.675] whereby the value 0 does not

fall within the interval, again indicating Supervision system structure is a significant predictor.

**Table 6:** Statistics of Structural Regression Model

Exogenous variable	Endogenous variable	Standardized regression weight	95% Confidence interval*		P-value
			Lower	Upper	
Supervision system structure	Policy	0.558	0.420	0.675	0.002
Professional talents	Policy	0.266	0.153	0.369	0.002
Single fund portfolio	Policy	-0.136	-0.226	-0.046	0.006
Lack of risk prevention	Policy	-0.077	-0.173	0.018	0.122
Market exit mechanism	Policy	0.139	0.003	0.297	0.047
Policy	Sustainable development	0.873	0.834	0.912	0.002

\*Based on 1000 bootstrap resamples.

Besides that, there is a significant impact ( $\beta = 0.266$ ,  $p < 0.05$ ) of Professional talents on Policy. The 95% confidence interval for Professional talents is [0.153, 0.369] whereby the value 0 does not fall within the interval, by and by indicating Professional talents is a significant predictor.

In addition, there is a significant impact ( $\beta = -0.136$ ,  $p < 0.05$ ) of Single fund portfolio on Policy. The 95% confidence interval for Single fund portfolio is [-0.226, -0.046] whereby the value 0 does not fall within the interval, in like manner indicating Single fund portfolio is a significant predictor. Furthermore, there is an insignificant impact ( $\beta = -0.077$ ,  $p > 0.05$ ) of Lack of risk prevention on Policy. The 95% confidence interval for Lack of risk prevention is [-0.173, 0.018] whereby the value 0 does fall within the interval, further indicating Lack of risk prevention is an insignificant predictor.

Intriguingly, there is a significant impact ( $\beta = 0.873$ ,  $p < 0.05$ ) of Policy on Sustainable development. The 95% confidence interval for Policy is [0.834, 0.912] whereby the value 0 does not fall within the interval, again indicating Policy is a significant predictor.

On the whole, six out of seven hypothesized paths in relation to direct relationships between the latent variables of the research model has p-value less than 0.05, hence, the significance of the related hypotheses is corroborated (Hair *et al*, 2006; Hair, et al., 2010; Pallant, 2011).

#### 4.1 Intervening effect of Industrial investment fund for the local government in Henan, China

Table 7 presents the indirect effect statistics of the mediating variable Policy. The 95% confidence interval for the indirect effect of Supervision system structure is [0.292, 0.547]. The value 0 does not fall within this interval. Hence, Policy is a mediator in the Supervision system structure to Sustainable development relationship. Allegedly, the 95% confidence interval for the indirect effect of Market exit mechanism is [0.001, 0.237].

The value 0 does not fall within this interval. Hence, Policy is a mediator in the Market exit mechanism to Sustainable development relationship.

**Table 7: Intervening Effect of Policy**

Variable	Indirect Effects*	95% Confidence interval*		P-value
		Lower	Upper	
Supervision system structure	0.421	0.292	0.547	0.003
Market exit mechanism	0.112	0.001	0.237	0.049
Professional talents	0.215	0.129	0.309	0.001
Single fund portfolio	-0.084	-0.141	-0.028	0.007
Lack of risk prevention	-0.048	-0.117	0.008	0.09

\*Unstandardized regression weight

Interestingly, the 95% confidence interval for the indirect effect of Professional talents is [0.129, 0.309] whereby the value 0 does not fall within this interval. Hence, Policy is a mediator in the Professional talents to Sustainable development relationship. Identically, the 95% confidence interval for the indirect effect of Single fund portfolio is [-0.141, -0.028] whereby the value 0 does not fall within this interval. Hence, Policy is a mediator in the Single fund portfolio to Sustainable development relationship. Comprehensively, five out of the six hypothesized paths in regards to indirect relationships between the latent variables of the research model has p-value less than 0.05, hence, the significance of the corresponding hypotheses is substantiated (Hair, et al., 2010; Pallant, 2011).

Therefore, based on the results of the Structural Equation Modeling as discussed in the previous section, hypotheses that are developed in this study can be tested.

In the first phase, hypotheses concerning the direct relationships between latent variables are investigated. It is found that H<sub>1a</sub>, H<sub>2a</sub>, H<sub>3a</sub>, H<sub>5a</sub>, H<sub>6a</sub> and H<sub>7</sub> are supported by the data and H<sub>4a</sub> is not supported by the data. Next is to scrutinize the indirect relationships. Interestingly, in testing the mediating effect of the intervening variable, It is discovered that H<sub>1b</sub>, H<sub>2b</sub>, H<sub>3b</sub>, H<sub>5b</sub> and H<sub>6b</sub> are supported by the data and H<sub>4b</sub> is not supported by the data.

Finally, the demographic variables are examined. In the context of Education Level, policy of PhD / Doctorate holders differ from those who are with Foundation/Pre-U education in connection to their Development of the industrial investment fund for the local Government in Henan, China. Moving forward to age, policy of Age group 50 and less differ from those who are with Age group 50 and above in connection to their Development of the industrial investment fund for the local Government in Henan, China. Hence, the corresponding hypotheses (H<sub>8</sub> and H<sub>9</sub>) are supported by the data. Table 8 summarizes it.

**Table 8:** Research Hypothesis Validity

Regression Path	Hypothesis	Findings
<b>Direct Effects</b>		
Supervision system structure → Policy	H <sub>1a</sub>	Supported
Market exit mechanism → Policy	H <sub>2a</sub>	Supported
Professional talents → Policy	H <sub>3a</sub>	Supported
Lack of risk prevention → Policy	H <sub>4a</sub>	Not Supported
Single fund portfolio → Policy	H <sub>5a</sub>	Supported
Policy → Sustainable Development	H <sub>6</sub>	Supported
<b>Indirect Effects / Mediating Effects of Policy</b>		
Supervision system structure → Sustainable Development	H <sub>1b</sub>	Supported
Market exit mechanism → Sustainable Development	H <sub>2b</sub>	Supported
Professional talents → Sustainable Development	H <sub>3b</sub>	Supported
Lack of risk prevention → Sustainable Development	H <sub>4b</sub>	Not Supported
Single fund portfolio → Sustainable Development	H <sub>5b</sub>	Supported
<b>Demographic Correlations Analysis</b>		
Age → Sustainable Development	H <sub>7</sub>	Supported
Education → Sustainable Development	H <sub>8</sub>	Supported

## 5. Conclusion

This section furnished statistical analysis findings of the data collected. The section reviewed with the dissection of the data screening. Persistently, an illustration of descriptive statistics of the demographic profiles of the respondents' trails. This is followed by descriptive assessment of the policy satisfaction variables used in the research together with the preliminary analyses are discussed. Most importantly, results of the core estimation methodology of this research, the Exploratory factor analysis and Confirmatory factor analysis is illustrated in this section. Structural Equation Modeling wraps up the analysis. Finally, results of the hypotheses conclude this section. This study took great in-depth measures to identify the factors that influence policy Development of the industrial investment fund for the local Government in Henan, China. A large amount of literatures is reviewed to develop the research framework. Persistently, a well-defined research methodology is crafted to right from churning the data to analysing it empirically. Statistical data analysis procedures of exploratory factor analysis, Confirmatory factor analysis and Structural Equation Modeling were employed.

The statistics of structural regression model revealed that supervision system structure has a significant impact on Industrial investment fund for the local government in Henan, China. Besides that, market exit mechanism also displayed a significant positive relationship with Industrial investment fund for the local government in Henan, China. Furthermore, significant positive relationship is exhibited between professional talents and Industrial investment fund for the local government in Henan, China too.

Apart from being a reference to industrial investment fund for the local government in Henan, China providers and industrial investment fund for the local government in Henan, China business developers to join their marketing strategies to suit to policy and behavioural Sustainable Developments, the growth of industrial

investment fund for the local government in Henan, China will not only be an infrastructure for economic progression but it will also proliferate the digitalisation affair towards achieving a fully developed nation. Fundamentally, it will be instrumental to China's economic triumph.

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