Original Research Article

A study of the impact of digital financial inclusion on firm value

Shengliang Gao

School of Finance, Harbin University of Commerce, Harbin, Heilongjiang, 150028, China

Abstract: This paper systematically investigates the mechanism and path of influence of digital inclusive finance development on enterprise value. The study shows that digital inclusive finance significantly enhances enterprise value through multiple channels such as alleviating financing constraints, reducing transaction costs, optimizing resource allocation and promoting innovation. This enhancement effect is particularly prominent in small and medium-sized enterprises, private enterprises and enterprises in central and western regions. The article deeply analyzes the transmission mechanism of digital inclusive finance affecting enterprise value, explores the differences in effects among different types of enterprises, and proposes policy recommendations to promote the development of digital inclusive finance and enhance enterprise value. The study provides theoretical references for understanding the economic effects of digital inclusive finance, and is of great revelation for promoting the high-quality development of enterprises.

Keywords: Digital financial inclusion; Enterprise value; Financing constraints

1. Introduction

In the context of the rapid development of the digital economy, the deep integration of digital technology and financial services has given rise to the innovative industry of digital inclusive finance. According to the China Inclusive Finance Development Report 2023 released by the People's Bank of China, the coverage rate of digital inclusive finance in China has reached 99.2%, and the scale of digital credit serving small and micro-enterprises has exceeded 20 trillion yuan. This development trend has not only changed the supply mode of traditional financial services, but also created new opportunities for enterprise value enhancement.

As a core indicator of business performance and market competitiveness, enterprise value and its influencing factors have always been the focus of academic attention. Traditional research has mainly focused on micro factors such as internal corporate governance structure and innovation ability, while the impact of changes in the external financial environment has received relatively little attention. The rise of digital inclusive finance provides a new solution to the financing constraints faced by enterprises, especially small and medium-sized enterprises (SMEs) in the long term, and also opens up new perspectives for the study of enterprise value influencing factors.

This paper systematically analyzes the impact mechanism of digital inclusive finance on enterprise value from the theoretical level, deeply explores the effect differences among different types of enterprises, and puts forward corresponding policy recommendations. The study not only helps to deepen the understanding of the economic effects of digital inclusive finance, but also provides new ideas for promoting enterprise value enhancement. Especially in the current critical period of economic transformation and upgrading, it is of great theoretical and practical significance to study the impact of digital inclusive finance on enterprise value.

2. The connotation and development status of digital inclusive finance

2.1. Connotation and characteristics of digital inclusive finance

Digital inclusive finance refers to the provision of affordable and convenient financial services through digital technology for groups that are difficult to be covered by traditional financial services. Its core features are reflected in the following three aspects:

1) The breadth of service objects. Digital inclusive finance focuses on serving the "long-tail customers" in the traditional financial system, such as small and micro enterprises, individual businessmen and farmers. By lowering the service threshold, more market players can obtain the necessary financial support 2.

2) Intelligent service mode. Relying on big data, cloud computing, blockchain and other digital technologies, the intelligent transformation of financial services is realized. This includes innovative applications such as intelligent risk control, precision marketing, and automated approval.

3) Significant improvement in service efficiency. Digital technology has significantly reduced the marginal cost of financial services and improved service efficiency. According to World Bank data, the approval time for digital credit can be shortened by more than 70% compared to traditional methods.

2.2. Current development status and trends

As of June 2023, the development of digital inclusive finance in China presents the following characteristics:

1) 1. the user scale continues to expand. The scale of digital payment users reached 980 million, Internet wealth management users 790 million, and digital credit services for small and micro enterprises exceeded 45 million.

2) the depth of service is constantly improving. The application of digital technology has been extended from consumer to industrial scenarios, and new modes such as supply chain finance and industrial Internet are developing rapidly.

3) the vigor of innovation continues to increase. The application of artificial intelligence, blockchain and other technologies in risk control, precision marketing and other fields is deepening.

3. Theoretical mechanism of digital inclusive finance affecting enterprise value

3.1. Financing constraint alleviation mechanism

Financing constraints are one of the main obstacles facing enterprise development. Digital inclusive finance can effectively alleviate enterprise financing constraints through the following ways:

1) Broadening financing channels. Under the traditional financial system, SMEs mainly rely on bank credit. Digital inclusive finance provides diversified financing channels such as network lending, equity crowdfunding and supply chain finance. Taking supply chain finance as an example, it provides financing support for SMEs upstream and downstream of core enterprises by integrating industrial chain data.

2) Innovative risk assessment model. Utilizing big data technology to build a multi-dimensional credit assessment system. In addition to financial data, it also incorporates non-traditional information such as transaction data and social data, which improves the accuracy of risk assessment. This enables enterprises that lack collateral but are well-run to obtain financing support.

3) Improved financing efficiency. The online process has significantly shortened the financing time. Some digital credit products can realize "second approval and second loan", which can promptly meet the financial needs of enterprises. Especially when dealing with emergencies, this kind of highly efficient financing service is particularly important.

3.2. Transaction cost reduction mechanism

Digital inclusive finance significantly reduces the financial transaction costs of enterprises:

1) Information cost reduction. Big data technology reduces the information asymmetry between the supply and demand sides of funds. Enterprises can more conveniently obtain information on financial products, and financial institutions can more comprehensively understand the business situation.

2) Reduced search costs. Intelligent matching technology improves the efficiency of matching the supply and demand of funds. Enterprises can quickly find suitable financial products through the platform, and financial institutions can accurately identify target customers.

3) Contract cost optimization. The application of blockchain, smart contracts and other technologies simplifies the contract execution process and reduces supervision costs. The automatic execution of contract terms also reduces the possibility of disputes.

3.3. Resource allocation optimization mechanism

Digital technology has improved the efficiency of financial resource allocation:

1) Accurately matching supply and demand. Based on data analysis, it realizes accurate matching between capital supply and enterprise demand. Enterprises at different stages of development and with different industry characteristics can obtain differentiated financial services.

2) Dynamic risk pricing. Updating risk assessment based on real-time data realizes dynamic adjustment of loan prices. This controls financial risks and improves resource allocation efficiency.

3) Guided capital flow. Identifying high-growth enterprises through data analysis, guiding capital to concentrate on innovative fields and high-quality enterprises, and promoting the optimization and upgrading of industrial structure.

3.4. Innovation promotion mechanism

The role of digital inclusive finance in promoting enterprise innovation is reflected in several aspects:

1) Providing financial support for innovation. R&D activities are characterized by long cycles and high risks, and traditional finance often provides insufficient support. Through innovative financial products, digital inclusive finance can provide financial security for enterprises' R&D investment.

2) Reduce innovation uncertainty. Through data sharing and analysis, it helps enterprises better grasp market demand and technology trends, and reduces uncertainty in the innovation process.

3) Optimize innovation decision-making. The huge amount of data accumulated on the digital platform provides an important reference for enterprises to choose their innovation direction and market positioning. Enterprises can make more scientific innovation decisions based on data analysis.

4. Heterogeneity analysis of impact

4.1. Differences in enterprise size

There are significant differences in the impact of digital financial inclusion on enterprises of different sizes:

1) The marginal effect on SMEs is greater. The traditional financing channels of SMEs are limited, and the complementary role of digital inclusive finance is more obvious. The survey shows that the proportion of digital credit in SME financing has exceeded 30%.

2) Data value mining is more adequate. The business data of SMEs are often neglected by traditional

finance, while digital technology can fully tap the value of these data and provide support for them to obtain financing.

3) Higher degree of service matching. The financial needs of SMEs are characterized by "short, small, frequent and urgent", which is highly compatible with the flexibility of digital financial products.

4.2. Differences in the nature of property rights

There are also differences in the impact on enterprises of different ownership systems. 1:

1) Private enterprises benefit more significantly. Private enterprises usually face more serious financing constraints, and digital inclusive finance has effectively improved their financing environment. Data show that the rate of digital credit access for private enterprises is 40% higher than that of traditional channels.

2) Impact of decision-making mechanism. With a short decision-making chain, private enterprises are able to adapt to the digital financial service model more quickly and better utilize digital financial tools.

3) Innovation-driven differences. Private enterprises have a stronger innovation drive and are better able to transform digital financial support into innovation results, thus enhancing enterprise value.

4.3. Regional development differences

The regional effects of digital financial inclusion are also worthy of attention:

1) Compensatory effect on the central and western regions. The traditional financial development of the central and western regions is relatively lagging behind, and the complementary role of digital inclusive finance is more prominent. This helps to narrow the financial service gap between regions.

2) Breaking through geographical restrictions. Digital technology overcomes the geographical limitations of physical outlets, so that enterprises in remote areas can also obtain high-quality financial services.

3) Supporting industrial transformation and upgrading. The central and western regions are in the key period of industrial upgrading, and the support of digital finance is of special significance to the value enhancement of local enterprises.

5. Policy Recommendations

5.1. Improve the digital inclusive financial infrastructure

1) Accelerate the construction of new digital infrastructure, including 5G networks, data centers and so on;

2) promote the interconnection of the credit system and digital financial platforms;

3) establish unified technical standards and industry norms.

5.2. Optimize the digital financial service system

1) develop differentiated financial products suitable for the characteristics of SMEs;

2) deepening supply chain financial innovation and promoting the collaborative development of the industrial chain;

3) strengthening the protection of consumer rights and interests and establishing a dispute resolution mechanism.

5.3. Promoting the integration of digital technology and the real economy

1) Support the digital transformation of enterprises and enhance the ability to use digital finance;

2) Promote the synergistic development of industrial Internet and digital finance;

3) Cultivate typical exemplary cases and summarize and promote successful experiences.

6. Conclusion and prospect

The research in this paper shows that digital financial inclusion has a significant impact on enterprise value through multiple channels. This impact is not only reflected in financial indicators, but also promotes long-term value growth by improving the business environment and innovation ability of enterprises. This enhancement effect is especially prominent in SMEs, private enterprises and the central and western regions.

Against the backdrop of the rapid development of the digital economy, digital inclusive finance will play an increasingly important role in supporting the real economy and promoting enterprise value enhancement. By continuously improving the policy environment, optimizing the service model, and strengthening risk prevention and control, digital inclusive finance will surely inject new momentum into the high-quality development of enterprises.

About the author

Gao Shengliang, 1999.09, male, native place: Linyi City, Shandong Province, nationality, Han Dynasty, is now a graduate student of finance, School of Finance, Harbin University of Commerce, research direction: monetary theory and policy.

References

[1] Murshed M, Ahmed R, Khudoykulov K, et al. Can enhancing financial inclusivity lower climate risks by inhibiting carbon emissions? Contextual evidence from emerging economies[J]. Research in International Business and Finance, 2023, 65: 101902.

[2] Jardak M K, Ben Hamad S. The effect of digital transformation on firm performance: evidence from Swedish listed companies[J]. The Journal of Risk Finance, 2022, 23(4): 329-348.

[3] Malady L. Consumer protection issues for digital financial services in emerging markets[J]. Banking & Finance Law Review, 2016, 31(2): 389-401.

[4] Jamil M, Rahim A, Law S H, et al. Financial inclusion and income inequality in developing countries: The role of aging populations[J]. Research in International Business and Finance, 2024, 67(PA)