

Research on The Effect of Digital Finance on The Transformation and Upgrading of Residents' Consumption Structure

Yuxi Li, Guiyu Zhao, Yuntao Qiang and Jibing Wu

School of Anhui University of Finance and Economics, Bengbu, 233000, China

Abstract: The effect of digital finance on the upgrading of China's resident consumption structure, at this stage of China's expansion of domestic demand, transformation and development of new momentum, economic shifting transformation is extremely important, can greatly improve the efficiency of capital allocation in the real economy, most scholars agree that digital finance can improve the consumption level of residents and optimize the consumption structure of residents, this paper from the perspective of reducing the consumption gap between urban and rural residents, narrowing the consumption gap of different income groups, breaking the consumption gap of different age groups to study the impact of digital finance on China's consumption structure.

Keywords: Digital Finance, Consumption structure, Upgrade, Effect.

1. Introduction

Digital finance as an emerging field of finance, its concept is relatively new and rapid development, this project keeps pace with the times, combined with its latest characteristics of its analysis of its development process, model and risks and other status quo, the analysis is more objective and comprehensive, can be used as the latest reference to follow up its development overview; Secondly, there are few results in the exploration of its combination with consumption structure, and the theoretical and empirical exploration of the relationship between the two in this paper is conducive to enriching the research results and expanding the relevant research.

2. The Current Status of Digital Finance

Jiang Qingzheng et al. (2019) found that the level of digital finance development is positively correlated with urbanization and economic development; Ge Heping and Zhu Huiwen (2018) show that the level of economic development of a region and the digital financial index of the region are not linear, but U-shaped. Cheng Xuezheng, Gong Qinyi (2020), He Jian, Zhang Hongmei (2020) found that digital finance has a significant role in promoting the development of the real economy and high-quality economic development and has regional heterogeneity. Chen Chanji and Yue Yuzhu (2018) believe that consumption, investment and net exports are the three main paths for digital inclusive finance to promote economic growth, of which the pulling effect of digital finance on economic growth is decreasing in the west, middle and east. Liu Ruining et al. (2019) proposed that digital inclusive finance can greatly improve the efficiency of capital allocation in the real economy, and play the greatest role in the western region in this regard. In terms of empirical analysis methods, OLS, panel fixed effect or bidirectional fixed effect model are mostly used, and AIDS model, mediation effect model, VAR, spatial econometric model and threshold model are rarely used. Most scholars agree that

digital finance can improve the consumption level of residents and optimize the consumption structure of residents, but there are still relatively few literature specializing in digital finance and consumption structure upgrading, and there are too many concerns about the total consumption and ignore the structure.

3. The Importance of Digital Finance in The Transformation and Upgrading of Residents' Consumption Structure

3.1. Reduce the Gap Between Urban and Rural Residents' Consumption

The most important gap in the field of consumption of urban and rural residents is manifested in three aspects: First, the overall gap. Affected by the consumption environment, income level and consumption concept, the consumption structure of urban and rural residents varies greatly. Rural residents are biased toward consumption that meets living conditions, while urban residents are biased towards high-quality living consumption. The second is the gap in consumption quality. The consumption of grain and vegetables in the food consumption of urban residents is significantly lower than that of rural residents, and the consumption of dairy products, meat and poultry eggs is significantly higher than that of rural residents. The third is the gap in the ownership of durable consumer goods. Urban residents generally have higher ownership of traditional durable consumer goods (televisions, refrigerators, etc.) and emerging durable consumer goods (computers, automobiles, etc.) than rural residents. Due to the long-standing dual economic structure of urban and rural areas, the level of consumption expenditure of urban residents in China is much higher than that of rural residents, and the large gap restricts the process of urban-rural integration.

The direct impact of digital finance on the consumption capacity of urban and rural residents is mainly financial management, so the acquisition and use of financial services and products can affect the consumption of urban and rural residents. Through the profit of financial management,

residents will use it to consume. The role path of financial wealth management to enhance consumption capacity is as follows: First, the preservation and appreciation of financial assets, residents participate in financial wealth management product transactions, the value of the assets held increases, and the consumption capacity and consumption willingness of residents will increase accordingly, thereby stimulating consumer expenditure; The second is the investment income of financial assets, according to the theory of consumption, income plays a key role in consumption, residents through investment in the stock market, funds, bonds, etc., to obtain a certain amount of investment income, to promote the increase of residents' consumption capacity; Third, portfolio, digital inclusive finance uses Internet channels to deliver more financial products to residents to choose from, and residents can choose an asset portfolio with different risk and return levels according to their own asset strength and preferences, which can diversify residents' investment risks and increase residents' investment income.

Traditional financial institutions usually improve service coverage in the way to set up branches, increase business outlets, set up self-service machines, but for the sake of cost and economic benefits, financial institutions generally choose to set up commercial outlets in economically developed, commercially prosperous, and relatively densely populated areas, so economically backward, rural and remote areas often lack corresponding financial services. With the gradual deepening of the application of digital technologies such as mobile Internet, low-cost convenient financial services have formed a stronger regional coverage in remote areas, which is conducive to rural areas to break through the geographical restrictions of financial services, so that rural residents who are financially marginalized can access financial resources as urban residents, thereby alleviating the problem of financial exclusion in rural areas and providing access to financial services. Therefore, digital finance can alleviate the problem of unreasonable allocation of financial resources caused by financial exclusion, promote financial services to cover more rural low-income people, help them obtain financial support, let more rural residents enjoy low-threshold, low-risk, efficient and convenient financial service products and services, increase the investment income of rural residents, help improve the consumption capacity of rural residents, and thus drive the narrowing of the gap between urban and rural residents' consumption.

3.2. Narrow the Consumption Gap Between Different Income Groups.

According to the urban and rural household survey data, in addition to food, the consumption expenditure of low-income families is mostly used to improve living conditions and purchase daily necessities, and the ownership of durable consumer goods in some low-income families is almost zero. The consumption expenditure of high-income groups is used on the one hand to meet the higher quality of food, clothing, housing and transportation, and on the other hand, it is used to meet the spiritual and cultural needs, and the number of durable consumer goods, especially high-end durable consumer goods, is higher than that of low-income households.

At present, digital inclusive finance can have an indirect impact on the consumption capacity of urban and rural residents through financial support for industrial development. Industrial development is the foundation for achieving

endogenous economic growth, and it is also an important foundation for achieving the growth of residents' income. Specifically, on the one hand, industrial development creates more jobs for residents and increases the channels for residents to obtain wage income; On the other hand, industrial development is conducive to the prosperity of the economic market, promotes economic growth, and creates a good market environment for the further development of production and operation activities such as self-employed, private economy, and cooperatives, thus helping to increase the operating income of residents.

For a long time, small and medium-sized enterprises committed to the development of rural industries in China have been difficult to obtain financial support, and their financing difficulties and lack of financing have restricted the development of enterprises, which in turn has made it difficult to help rural economic development and increase the income of rural residents. As an important means to achieve rural revitalization in recent years, digital finance can make full use of digital technology and financial technology, effectively reduce the cost of financial services, break down the information barriers of small and medium-sized enterprises, provide industrial development support for rural areas, drive employment in rural areas, increase employment, and help narrow the gap between group consumption.

Digital finance also focuses on consumer credit, relaxing credit standards, so that more people can enjoy consumer credit services, effectively alleviating liquidity constraints and preventive savings, and gradually changing residents' consumption habits.

3.3. Break the Consumption Gap Between Different Age Groups.

The different age groups are mainly divided into the traditional generation and the new generation. Affected by factors such as economic income, age differences and cultural traditions, the consumption concepts of the two generations are very different. The traditional generation's view of consumption is more conservative, with a low consumption tendency but a high saving tendency. As a new generation of post-80s and post-90s, the concept of consumption is relatively open, dare to consume ahead, but the savings are limited, and the consumption capacity is smaller than that of the traditional generation.

Digital finance adheres to the parallel of traditional services and intelligent innovation, strengthens the popularization and publicity of financial anti-fraud knowledge, enhances the awareness of prevention, and adds a "security lock" to the middle-aged and elderly stages who are not familiar with digital finance, helping them strengthen the protection of their own rights and interests and enhance their trust in financial consumption.

4. The Inadequacy of Digital Finance in Upgrading the Consumption Structure of Residents

4.1. Problems with Digital and Network Technology

If digital finance wants to develop safely and stably, it will have high requirements for the network system. An insecure network environment is difficult to resist the intrusion of hackers, which means that there may be fraud or theft of funds,

which is very detrimental to the interests of consumers.

4.2. Infrastructure Issues

The 5G era has arrived, people have higher requirements for the speed and stability of the network, which is also the impact of the development of digital finance on financial consumers and the problems must not be mentioned, some backward areas of consumers may not be able to afford expensive network connection costs, but also can not pay for digital finance often need to use mobile terminal equipment, such as tablets, mobile phones, etc., which to a certain extent limits the development of digital finance, is also an additional expense for consumers.

4.3. The Issue of Establishing and Improving the Regulatory System for Digital Inclusive Finance

In order to strengthen the risk prevention of digital inclusive finance, it is recommended to make full use of regulatory technology empowerment, continuously improve regulatory capabilities, and pay attention to the role of industry self-discipline; Unify regulatory standards in various fields to avoid regulatory arbitrage; Continue to strengthen behavior supervision and functional supervision; In particular, pay attention to the prevention and control of algorithm discrimination, induce improper marketing, information abuse and other behaviors that infringe on the rights and interests of financial consumers that may be brought about by the use of digital technology, and strive to strengthen data security and personal information protection, so that the people can fully trust digital inclusive financial services and can truly use digital inclusive financial services with confidence.

5. Countermeasures Are Recommended

The upgrading of residents' consumption structure is a strong driving force for China's economic recovery and transformation and upgrading, and it is also a strong agent to help the upgrading of industrial structure, and it is also an important driving force for the formation of a domestic and international "double cycle" development pattern.

First, vigorously develop digital finance and strengthen its coverage, depth of use and degree of digitization. The banking industry is the leader in the development of digital finance in China, and the success of the digital transformation of banks is related to the depth of development of digital finance in China. The digital transformation of banks should not be copied and copied, but should proceed from their own reality and objectively formulate a strategic plan suitable for themselves. Strengthen the coverage of digital financial services, attach importance to cooperation with financial technology companies, and actively introduce advanced digital technologies for banking operations, so as to break technical restrictions, enhance the degree of digitization of financial services, and achieve cross-border integration.

Second, continuously strengthen and optimize digital financial services such as digital payment, digital credit, and digital insurance. Various financial service platforms such as payment, insurance, and credit should actively integrate into the digital inclusive financial system, give full play to their comparative advantages, optimize financial services, and provide loan extensions, fee reductions, emergency loans and

related insurance services for small and micro enterprises and vulnerable groups. Strive to alleviate the consumption pressure of residents under the epidemic, expand domestic demand, improve the overall consumption level of the country, guide residents to increase their enjoyment of development-oriented consumption, and optimize the consumption structure of residents, so as to promote economic recovery and occupy a place in the wave of digital economy.

Third, increase the disposable income of residents. Income is one of the important intermediaries for digital inclusive finance to promote the upgrading of residents' consumption structure, and from a long-term perspective, the importance of this role channel cannot be ignored. In the stage of normalization of epidemic prevention and control, GDP growth should be restored as soon as possible, and the GDP growth rate should be maintained at about 6%, so as to ensure the stable operation of the economy, ensure the basic income level of residents, and provide a good macroeconomic environment for residents' consumption. Solve the problem of large-scale unemployment caused by the impact of the epidemic, and promote the recovery of domestic demand and the upgrading of consumption structure. In addition to improving the income level, it is also necessary to speed up the improvement of the income distribution system to ensure fairness and justice and common prosperity.

Fourth, strengthen supervision and correctly guide the development of digital finance. This requires regulatory authorities to keep pace with the times, learn from traditional regulatory mechanisms or methods while also innovating supervision, and must explore a regulatory mechanism suitable for the development of the digital economy as soon as possible. Regulatory authorities should weave a reliable information and data safety net as a backing for the majority of financial consumers, strengthen information disclosure and risk tips, so that the digital financial industry can develop healthily and sustainably, so that consumers can consume, dare to consume, and play the greatest role in optimizing and upgrading the consumption structure of Chinese residents under the normalization of epidemic prevention and control.

References

- [1] YIN Yue. Digital Finance, Industrial Agglomeration and Total Factor Productivity[J/OL]. *Statistics and Decision-making*, 2022(07):131-135[2022-04-09]. DOI:10.13546/j.cnki.tjyj.2022.07.026.
- [2] LI Tao, PENG Dongman. Digital Financial Poverty Reduction: A Review and Prospect of Research Hotspots[J/OL]. *Monthly Journal of Finance and Accounting*: 1-7[2022-04-09]. <http://kns.cnki.net/kcms/detail/42.1290.F.20220329.1117.020.html>
- [3] Huo Jingyuan. Influence of cultural and creative industries on regional economic development and Countermeasures -- Taking Tianjin as an example [J]. *Journal of North China University of water resources and hydropower (SOCIAL SCIENCE EDITION)*, 2017, 33 (01): 48-51. Doi: 10.13790/j.cnki.issn1008-4444.2017.01.012
- [4] Huo Jingyuan. Influence of cultural and creative industries on regional economic development and Countermeasures -- Taking Tianjin as an example [J]. *Journal of North China University of water resources and hydropower (SOCIAL SCIENCE EDITION)*, 2017, 33 (01): 48-51. Doi: 10.13790/j.cnki.issn1008-4444.2017.01.012.
- [5] LIN Muxi, XIAO Yubo. Digital Finance, Technological Innovation and Regional Economic Growth[J/OL]. *Journal of*

Lanzhou University (Social Science Edition), 2022(02):47-59[2022-04-09]. DOI:10.13885/j.issn.1000-2804.2022.02.005.

[6] LI Chunfeng,XU Yaxuan. Research on the Effect of Digital Finance Driving Residents' Consumption in Different Structures[J/OL].Modern Finance and Economics (Journal of

Tianjin University of Finance and Economics), 2022(04):67-78[2022-04-09]. DOI:10.19559/j.cnki.12-1387.2022.04.005.

[7] LI Fei-fei,MA Ruowei,HUANG Xie-yu. Digital Finance, Property Rights and Enterprise Innovation: Based on the Perspective of Innovation Heterogeneity[J].Technology Economics and Management Research, 2022(03):27-33.