

The Coordinated Development of Digital Inclusive Finance and the Real Economy

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Abstract: Through the use of modern information technology for digital inclusive financial services, its significance lies in promoting financial inclusiveness, lowering the threshold of financial services, promoting economic development, improving the efficiency of financial services, and supporting social equity and sustainable development. These effects make digital financial inclusiveness an important force driving social progress and economic development.

Keywords: Digital inclusive finance, Small, Medium and micro enterprises.

1. The Current Financing Status of Small, Medium and Micro Enterprises

In December 2017, the National Bureau of Statistics revised and issued the Classification Measures of Large, Small, Medium and Micro Enterprises in Statistics based on the new National Economy Industry Classification standard (2017). This method through comprehensive considering the number of employees, operating income and total assets, such as index or corresponding alternative index, and combined with the characteristics of different industries, formulate the specific standard, to distinguish in all kinds of organizations in the form of legal person enterprise or units, they are classified as large, medium, small and micro. By the end of 2021, there were 48 million small, medium and micro enterprises in China, accounting for 90 percent of the total number of enterprises in China, an increase of 2.7 times over the end of 2012. In 2021, China had 24,800 newly established enterprises, 3.6 times that in 2012. These large number of small, medium and micro-sized enterprises not only meet the diversified market demand, but also provide a strong impetus for the rapid growth of China's economy, and become an important pillar of China's economic market and job market. However, although SMEs play a pivotal role in China's economy, the development of most SMEs is not smooth. Especially in the aspect of financing, small, medium and micro enterprises are facing many difficulties. Usually, only large and medium-sized enterprises can more easily obtain the funds needed to operate from traditional financial institutions. The financing difficulties of small, medium and micro enterprises are caused by a variety of reasons, including but not limited to information asymmetry with financial institutions, insufficient collateral, credit policy restrictions, single financing channels and high operating risks of enterprises themselves. These factors limit the financing capacity of small and medium-sized enterprises and hinder their further development.

1.1. Small, Medium and Micro Enterprises Have A Small Scale and an Unreasonable Internal Structure

Many small, medium and micro enterprises often face the problem of insufficient fixed assets due to their short history.

These companies may lack sufficient own assets, such as plant and equipment, or these assets are acquired through leasing, making it difficult to provide collateral needed by traditional financial institutions to support loan applications. In addition, as these enterprises have just started, their business model and market prospects are not stable, and it is difficult to accurately predict the profit situation, which makes some guarantee institutions maintain a conservative attitude towards providing support for micro, small and medium-sized enterprises, and some institutions will even directly refuse to guarantee requests.

In the face of the financing needs of micro, small and medium-sized enterprises, some guarantee institutions will set a higher guarantee threshold, which further aggravates the lack of guarantee dilemma of these enterprises. At the same time, some small, medium and micro enterprises have non-standard problems in the internal structure and financial management, such as the enterprise legal representative and equity structure information is not clear, which brings difficulties in financing audit to financing institutions. Unable to access clear and reasonable financial information, traditional banks will face many challenges in reviewing loan applications from small, medium and micro enterprises, so they are cautious about issuing loans and are afraid to approve loans easily.

1.2. There are Too Few Traditional Financing Channels for Small, Medium and Micro Enterprises

At present, small, medium and micro enterprises are often difficult to obtain enough funds through traditional channels. First, because these enterprises often lack sufficient guarantee mechanisms, banks have to consider the higher risk of non-performing loans when lending to them, which increases the possibility of loan losses for banks. Secondly, the loan demand of micro, small and medium-sized enterprises is usually characterized by small loan amount and short loan time, which makes banks believe that they can obtain lower profits by providing loans to micro, small and medium-sized enterprises than investing funds in large enterprises. Finally, due to the large number of small, medium and micro enterprises that need loans, banks need to deal with a large number of documents and processes when approving these loan applications internally, resulting in cumbersome and time-consuming approval work. Therefore, after weighing the

risks and returns, banks are often unwilling to invest a large amount of funds in these micro, small and medium-sized enterprises with relatively unstable development. On the contrary, they are more inclined to invest funds in long-term and large-scale enterprises, because such enterprises usually have stronger repayment ability and more stable business prospects, which can better guarantee the safety of bank funds.

In addition, some small, medium and micro-sized enterprises are still family-style enterprise mode, and the management mode is relatively old and the management system is not standardized. Compared with large state-owned enterprises with more scientific management mode, banks either choose not to directly lend to small, medium and micro enterprises, or set up a series of cumbersome and complex audit procedures. Even if msme successfully pass these strict audit processes, banks may not give them excessive financial support. These reasons make the traditional financing channels of micro, small and medium-sized enterprises in China too few. Among many financing channels, bank loan, a more feasible way, is also extremely difficult for micro, small and medium-sized enterprises, and the financing road of micro, small and medium-sized enterprises is blocked and long.

1.3. Lack of Financial Product Innovation for Micro, Small and Medium-Sized Enterprises

In 2022, the General Office of the China Banking and Insurance Regulatory Commission issued an important notice aimed to strengthen financial support for the development of small and micro businesses. The notice clarified the work target, that is, to achieve the "two increase" target of inclusive small and micro business loans of less than 10 million yuan (including), which means that in 2022, the total number of such loans and loan households need to be no lower than the level at the beginning of the year. In order to achieve this goal, the notice put forward specific measures such as improving the multi-level credit supply system for small and micro enterprises, enhancing the availability of loans for small and micro enterprises, and doing a good job in the extension of principal and interest repayment policies and the management of loan term. Although these policies require banking financial institutions to increase the innovation of credit products, after all, banks have risk considerations, and no one can guarantee that the loan risk of small, medium and micro enterprises will be bad in the future, and it always needs someone to bear this risk. The financing of micro, small and medium-sized enterprises is a market problem, but it is not a pure market problem. It requires the visible hand of the government and the invisible hand of the market to solve the problem.

At present, although there are many kinds of credit products in the market, some micro, small and medium-sized enterprises still face strict loan conditions when applying for loans. These requirements are often difficult for many micro, small and medium-sized enterprises in the early stage of development or facing operating difficulties. It shows that credit products lack innovation to a certain extent, and fail to fully take into account the special needs and actual situation of micro, small and medium-sized enterprises.

2. The Concept and Development Background of Digital Inclusive Finance

Digital inclusive finance refers to "Internet + inclusive finance", that is, the effective combination of digital technology and inclusive finance. It through the use of big data, artificial intelligence, block chain, payment and other modern information technology, achieve low cost, efficient saving financial services, to improve the quality of financial products, eliminate the gap between financial services, help traditional financial institutions to realize reform and innovation, promote the development of financial services, in order to realize pratt & whitney democratization and development of financial services. The goal of digital financial inclusion is to ensure that all social strata and groups can access financial services at a reasonable cost, especially in areas where relatively weak financial services such as low-income people, small, medium and micro enterprises and rural areas are available.

(1) Technology-driven: With the rapid development of information technology, especially the wide application of the Internet, big data, artificial intelligence and other technologies, it provides strong technical support for digital inclusive finance. These technologies have expanded the coverage of financial services, but also improve the efficiency and quality of financial services.

(2) Policy promotion: In recent years, the Chinese government has attached great importance to the development of inclusive finance. Since the third Plenary Session of the 18th CPC Central Committee formally proposed the "development of inclusive Finance" in 2013, the government has introduced a series of policies and measures, such as the Implementation Opinions on Promoting the High-quality Development of Inclusive Finance, to promote the rapid development of digital inclusive finance. These policies provide a strong institutional guarantee for the development of digital inclusive finance.

(3) Market demand: With the development of economy and social progress, people's demand for financial services is increasingly diversified. In particular, small and micro businesses, individual businesses and rural areas have a more urgent need for financial services. The development of digital inclusive finance just meets the needs of these groups and provides them with convenient and efficient financial services.

(4) Financial innovation: The development of digital inclusive finance also promotes the innovation of the financial industry. By using modern information technology means, financial institutions can develop more innovative financial products and services to meet the needs of different groups. At the same time, the development of digital inclusive finance has also promoted the breakthrough of financial institutions in business model, product innovation and other aspects.

As a new financial service model, the development background of digital inclusive finance covers many aspects, such as technology-driven, policy-driven, market demand and financial innovation. With the combined action of these factors, digital inclusive finance has achieved remarkable development results in China, injecting new impetus into the real economy and social progress.

3. The Helping Role of Inclusive Finance In Financing Micro, Small and Medium-Sized Enterprises

Inclusive finance, as a financial model aimed at achieving extensive coverage of financial services, highly inclusive and reasonable cost, plays a vital role in promoting the prosperity of micro, small and medium-sized enterprises. These enterprises, as an important part of the economic system, are often limited by challenges such as insufficient funds and financing difficulties, which hinder their development. However, the rise of inclusive finance has brought them new opportunities for development.

First of all, inclusive finance has greatly lowered the threshold for small, medium and micro enterprises to obtain financial services. The traditional financial service system often holds a conservative attitude towards small, medium and medium-sized enterprises, believing that they have high risks and low returns. However, financial inclusion has broken this deadlock by innovating financial products and services, simplifying business processes, and reducing service costs. Now, small, medium and micro-sized enterprises can more conveniently obtain diversified financial services such as loans, payment and insurance through mobile phones, the Internet and other channels, which greatly improves the efficiency and convenience of the use of funds.

Secondly, inclusive finance provides diversified financing channels for micro, small and medium-sized enterprises. In addition to the traditional bank loans, inclusive finance has also promoted the development of various financing methods, such as equity financing, bond financing and bill financing. These new financing channels not only reduce the financing cost of enterprises, but also improve the flexibility and efficiency of financing. At the same time, inclusive finance also actively introduces diversified sources of funds such as government and social capital, providing more stable and reliable financial support for micro, small and medium-sized enterprises.

In addition, inclusive finance is also committed to strengthening the construction of financial infrastructure and improving the financial service experience of small, medium and micro enterprises. For example, inclusive finance promotes the improvement of the payment system, making it more convenient for small and micro enterprises to settle and pay. Meanwhile, inclusive finance also promotes the construction of credit investigation system, providing more reliable credit rating and loan support. The improvement of these infrastructure provides a more solid foundation for the development of small, medium and micro enterprises.

More importantly, inclusive finance has significantly improved the anti-risk ability of micro, small and medium-sized enterprises by optimizing the financial service model. Small, medium and micro enterprises often face various challenges such as market risks and credit risks in the process of operation. By providing risk guarantee, credit guarantee and other services, inclusive finance helps micro, small and medium-sized enterprises reduce their risk exposure and improve their operational stability. At the same time, inclusive finance also pays attention to strengthening the popularization and training of financial knowledge, improving the financial literacy and risk awareness of micro, small and medium-sized enterprises, so that they can better cope with various risks and challenges.

To sum up, the help of inclusive finance to micro, small and

medium-sized enterprises is multi-dimensional and all-round. It has lowered the threshold of financial services, provided diversified financing channels, strengthened the construction of financial infrastructure, optimized the financial service model, and injected strong impetus into the development of micro, small and medium-sized enterprises. With the continuous development and improvement of inclusive finance, we have reason to believe that micro, small and medium-sized enterprises will usher in a broader space and better prospects in their future development.

Although China's inclusive finance has made remarkable development results, it still faces some challenges. First, the sustainability of financial inclusion services still needs to be strengthened. Since inclusive financial services are mainly targeted at low-income groups and vulnerable groups such as small and micro enterprises, the repayment ability and risk tolerance of these groups are relatively weak, it is necessary to strengthen risk management and internal control to ensure the sustainability of financial services. Second, the coverage of inclusive financial services still needs to be further expanded. Although the coverage of inclusive financial services in China is relatively wide, there are still some remote areas and special groups that are difficult to obtain financial services. Therefore, it is necessary to further strengthen the popularization and publicity of financial services and improve the coverage of financial services.

However, the development of inclusive finance has also brought many opportunities. First, inclusive finance is conducive to promoting the development of the real economy. By providing financial services such as loans to small and micro enterprises and individual industrial and commercial households, it can promote the development and growth of these enterprises, and then promote the development of the entire real economy. Second, inclusive finance helps to promote common prosperity. By providing financial services to low-income groups, it can help them improve their living conditions and raise their income level, and then promote the common prosperity of the society. Finally, financial inclusion helps to promote financial innovation and technological progress. With the continuous development of fintech, the innovation space of digital inclusive financial services is becoming larger and larger, which can promote financial institutions to make new breakthroughs in business model and product innovation.

4. Digital Inclusive Finance Promotes All Aspects of the Development of the Real Economy

4.1. Digital Inclusive Finance Lowers the Threshold of Financial Services and Promotes Financing in the Real Economy

By integrating the Internet, big data, cloud computing and other technical means, digital inclusive finance lowers the threshold of financial services, enabling small and medium-sized enterprises and individuals to obtain financial support more conveniently. For example, P2P online lending, crowdfunding and other modes have provided various financing methods for different groups to meet their diversified financial needs. According to statistics, "MyBank" provides fast, flexible and low-interest loan services for micro, small and medium-sized enterprises by using the amount of e-commerce data on Alibaba platform, and loans more than

3.7 trillion yuan to more than 30 million small, medium-sized micro enterprises in 2020.

4.2. Digital Inclusive Finance Will Improve the Efficiency of Financial Services and Optimize the Operation of the Real Economy

The development of digital inclusive finance has improved the efficiency of financial services, enabling financial operations such as payment, transfer and financial management to be easily completed anytime and anywhere, reducing the time cost of enterprises and individuals, and reducing operational risks. At the same time, through big data and artificial intelligence and other technical means, digital inclusive finance can provide customers with more accurate risk assessment and personalized push, and provide more quality financial services, thus promoting the operation and development of the real economy.

4.3. Digital Inclusive Finance Will Expand Financing Channels and Promote Innovation in the Real Economy

Digital inclusive finance provides a new financing channel and platform for innovation in the real economy. Crowdfunding and other modes enable entrepreneurs to present their ideas and projects to more people and get financial support from them. This community-based financing mode not only reduces entrepreneurial risks, but also provides opportunities for more entrepreneurs. At the same time, digital inclusive finance closely combines financial services with the real economy, providing professional financial support and consulting services, providing more development opportunities for enterprises, and further promoting the innovative development of the real economy.

4.4. Digital Inclusive Finance Serves Rural Revitalization and Promotes Rural Economic Development

Digital inclusive finance has played an important role in rural revitalization. In recent years, the coverage of digital inclusive finance in rural China has been gradually expanded, and the availability of rural financial services has been significantly enhanced. The in-depth development of digital inclusive finance in rural areas has met the diversified financial needs of rural residents, expanded the income

sources of rural residents, narrowed the income gap between urban and rural areas, and helped support the comprehensive promotion of rural revitalization.

4.5. Policy Support to Promote the Coordinated Development of Digital Inclusive Finance and the Real Economy

National policies give strong support to the development of digital inclusive finance. For example, the Implementation Opinions on Promoting the High-quality Development of Inclusive Finance and other documents require financial institutions to deepen the use of scientific and technological means, optimize the inclusive finance service model, promote the development of digital inclusive finance in an orderly manner, and improve the availability and quality of financial services for small and micro enterprises, individual industrial and commercial businesses, and agriculture-related entities. These policies provide a strong guarantee for the coordinated development of digital inclusive finance and the real economy.

To sum up, the coordinated development of China's digital inclusive finance and the real economy is reflected in many aspects, such as lowering the threshold of financial services, improving the efficiency of financial services, broadening financing channels, serving rural revitalization and providing policy support. In the future, with the continuous development of digital technology and the continuous promotion of policies, the coordinated development of digital inclusive finance and the real economy will be further strengthened, injecting new impetus into the high-quality development of China's economy.

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