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Research on the impact of digital financial development on the allocation of household financial assets in my country

Zhiwei Ji

School of Finance, Anhui University of Finance & Economics, Bengbu Anhui 233030, China.

Abstract

With the rapid development of digital technology, digital finance is gradually changing the way Chinese households allocate their financial assets. This paper, entitled "A Study on the Impact of Digital Finance Development on the Allocation of Chinese Household Financial Assets", conducts an in-depth discussion on the impact of digital finance on the allocation of household financial assets from the perspectives of theoretical analysis and literature review. First, by sorting out the definition and classification of digital finance, this paper summarizes the current status of digital finance development at home and abroad and its potential impact on residents' financial behavior. Second, based on behavioral finance and information asymmetry theory, this paper analyzes how digital finance affects residents' financial asset allocation decisions by improving information acquisition efficiency, reducing transaction costs, and providing diversified financial products. The study found that the development of digital finance helps residents to obtain financial information more conveniently, lower investment thresholds, and increase the availability of financial products, thereby prompting residents to diversify their asset allocation. However, the development of digital finance also brings new risks and challenges, such as information security issues and financial fraud risks, which require the government, financial institutions, and residents to jointly respond. Finally, this paper puts forward policy recommendations to promote the healthy development of digital finance, including improving the regulatory system, improving residents' financial literacy, and promoting technological innovation in financial institutions. Through these measures, digital finance can better play a positive role in optimizing the allocation of residents' household financial assets and promote the healthy development of the financial market.

Keywords

Digital finance, asset allocation, impact research, information acquisition efficiency.

1. Introduction

1.1. Research background

Digital finance, as a new financial model that integrates digital technology and financial services, can be traced back to the widespread use of the Internet. Globally, the development of digital finance has gone through multiple stages: from the initial electronic payment and online banking to today's mobile payment, Internet financial platforms, blockchain technology and other forms of innovative financial services. In China, the popularity of digital finance is particularly rapid. Since the launch of Alipay in the early 2000s, mobile payment has become an important branch of digital finance, gradually changing people's payment and financial management methods. Subsequently, WeChat payment, P2P lending platforms, Internet banks, etc. have emerged one after another, further promoting the popularization and development of digital finance. By 2023, China's digital financial users have exceeded 1 billion, and the

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transaction volume has reached tens of trillions of yuan, becoming an important engine and leader in the development of global digital finance.

1.2. Research significance

Exploring the impact of digital finance on household financial asset allocation has important theoretical and practical significance. In theory, digital finance has changed the way traditional financial services are provided. By improving information transparency and reducing transaction costs, it may significantly affect residents' financial decision-making and asset allocation behavior. In practice, the development of digital finance not only provides more financial products and services for the general public, but also promotes financial inclusion, enabling more low-income and remote households to participate in the financial market. However, digital finance also brings new risks, such as information security, privacy protection, and financial fraud. Therefore, in-depth research on the impact of digital finance on household financial asset allocation will not only help enrich the financial theory system, but also help provide a scientific basis for policy formulation and supervision, thereby promoting the healthy and sustainable development of the financial market.

1.3. Research objectives

The core issue of this study is to explore how the development of digital finance affects the financial asset allocation of Chinese households. The specific objectives include: first, analyzing the impact of digital finance on residents' access to financial information, and exploring whether it has improved the convenience and efficiency of information acquisition; second, studying the impact of digital finance on transaction costs, and evaluating whether it has lowered the threshold and cost of financial transactions; finally, examining the impact of the provision of diversified financial products by digital finance on residents' asset allocation decisions, and analyzing whether it has promoted the diversification and optimization of asset allocation. Through the above research, this paper aims to reveal the role of digital finance in improving the scientificity and rationality of residents' financial decision-making, while identifying the new risks and challenges it may bring, and ultimately provide valuable references and suggestions for policymakers, financial institutions and the general public.

2. Literature review

2.1. Research on digital finance

In terms of the definition of digital finance, Gomber et al. (2017) compared financial technology, digital finance, and early-stage electronic finance, pointing out that digital finance is more closely integrated with traditional financial services, and defined digital finance from the perspective of financial practitioners. They believe that digital finance is a service that connects to the clearing and payment system through innovative digital applications or products, highlighting its important role in the payment field and user connectivity. Burlacu Sorin (2021) believes that in the past few decades, the world's social, economic, and financial banking activities have been significantly changed by information technology, and traditional financial services have also undergone tremendous changes.

In terms of the development process of digital finance, Chen Sijia (2021) divides the development process of China's digital finance into four stages: informatization, electronicization, Internet finance and deep integration. She pointed out that digital finance mainly relies on the application of emerging technologies to develop in depth, and has now been widely covered in the financial industry. She predicts that it will focus on in-depth development in the future, and traditional financial services are also gradually digitizing. Duan Junshan and Shao Jiaoyang (2022) believe that the development of digital finance has significantly increased residents' disposable income and family wealth. In the future, its impact will transition from

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convenient business levels such as consumer payments to increasing residents' participation in the financial market, and the proportion of family financial market participation will gradually increase.

2.2. Related research on household financial asset allocation

Gao Sumin (2018) found through research that online investment advisory services have significant advantages in reducing costs and increasing efficiency, and can help families increase the depth of their allocation of risky financial assets, but there is also the risk of lack of corresponding obligations. Liao Jinglin and Zhou Li (2020) defined the scope of risky assets relatively broadly and failed to effectively distinguish between low-risk and high-risk financial assets, which may lead to biased conclusions. Chen Chibo and Zheng (2021) used two indicators, namely the family's debt-to-income ratio and savings risk resistance, to measure the family's financial vulnerability, and found that the level of financial digitalization can alleviate rural financial vulnerability by reducing the family's credit balance and improving the family's financial literacy, especially for low-asset and low-education families. The effect is more significant. Zhou Xiaojun (2022) is more in line with the current status of family investment in the selection of risky assets, mainly considering narrow risk assets such as stocks and funds, and the conclusion has stronger practical significance.

2.3. Research on the impact of digital finance on household financial asset allocation

Zhang Lin and Wen Tao (2020) explored the impact of digital finance on household entrepreneurship based on panel data from 31 provinces and cities in China from 2011 to 2018. The study shows that digital finance has significantly promoted household entrepreneurship by promoting the development of the service industry and the growth of household income, and there are heterogeneous effects between different regions, urban and rural areas, and objects. Wang (2021) found that digital inclusive finance has a positive impact on household debt ratio by stimulating consumption and easing liquidity constraints, and also curbs household excessive debt. He Guosheng and Geng Liping (2021) used the Bootstrap moderated mediation model to find that digital finance indirectly improves the allocation efficiency of household risky financial assets by increasing household income, and risk attitude has a significant moderating effect. Risk-preferring households tend to allocate more risky financial assets when their income increases. Lu (2022) pointed out that traditional finance and digital finance have complementary and substitutive effects to a certain extent, and the proportion of local bank branches and the degree of development of digital inclusive finance are negatively correlated with the financing constraints of small and medium-sized enterprises.

Through the review of the above literature, it can be seen that digital finance has not only had a profound impact on the allocation of household financial assets in terms of payment and information acquisition, but also indirectly promoted the household's financial market participation and asset allocation efficiency through various channels. However, the development of digital finance has also brought new risks and challenges, such as information security and financial fraud, which requires further research and policy responses.

3. Theoretical analysis of digital finance and household financial asset allocation

3.1. Theoretical basis

Behavioral finance and information asymmetry theory are important theoretical foundations for studying the impact of digital finance on household financial asset allocation. Behavioral finance explores the irrational behavior of investors in the market and its impact on investment

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decisions, such as overconfidence, herd mentality, and loss aversion. Information asymmetry theory points out that information asymmetry will cause market participants to face incomplete information when making decisions, which in turn affects market efficiency and resource allocation. Digital finance, through the application of information technology, helps to alleviate information asymmetry, improve market transparency, and thus affect residents' financial asset allocation.

3.2. Impact Mechanism

Digital finance affects the financial asset allocation of residents' households through various channels, mainly including the convenience of obtaining information, reduced transaction costs and diversification of financial products.

3.2.1. Convenience of information acquisition

The rapid development of digital finance has greatly changed the way and efficiency of residents' access to financial information. In the traditional financial system, information access channels are limited and often accompanied by high costs and time consumption. Digital finance provides a more convenient and faster way to obtain financial information through the Internet and mobile technology. For example, through Internet financial platforms and mobile applications, residents can obtain market conditions, investment advice and financial product information in real time. This not only improves the efficiency of information acquisition, but also expands the coverage of information, enabling more residents to participate in the financial market, thereby affecting their asset allocation decisions.

3.2.2. Reduced transaction costs

Another important impact mechanism of digital finance is the reduction of the cost of financial transactions. Traditional financial transactions often face high fees and cumbersome procedures, especially in cross-regional and cross-border transactions. Digital finance simplifies the transaction process and reduces transaction costs through technical means such as blockchain and smart contracts. In addition, the popularity of digital payments and e-wallets has also made small payments and high-frequency transactions more affordable, which provides greater flexibility and convenience for residents' investment decisions.

3.2.3. Diversification of financial products

The widespread use of digital financial platforms provides residents with more financial product choices, which in turn affects their asset allocation. The product categories in the traditional financial system are limited and often concentrated in certain specific asset categories. Digital finance uses the Internet platform to display various financial products, such as stocks, bonds, funds, P2P lending and insurance, to residents. This diversification not only increases the breadth of investment options, but also encourages residents to pay more attention to risk diversification and return optimization in asset allocation. In addition, digital finance also supports personalized customization services, recommending suitable investment portfolios based on residents' risk preferences and financial goals, and further optimizing asset allocation.

From the above analysis, we can see that digital finance has a profound impact on the allocation of household financial assets in terms of improving the convenience of information acquisition, reducing transaction costs and providing diversified financial products. In the future, with the further development of digital finance, these impacts will become more significant, bringing more opportunities and challenges to residents' wealth management and asset allocation.

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4. Analysis of the current status of digital finance and household financial asset allocation

4.1. Analysis of the current status of digital finance

In recent years, digital finance has developed rapidly around the world and has become an important innovative force in the financial field. Digital finance includes a variety of emerging technologies and applications such as mobile payment, Internet financial platform, blockchain technology, artificial intelligence, etc. Its development has greatly changed the model of traditional financial services. Taking China as an example, mobile payment has become an indispensable part of daily life. The popularity of Alipay and WeChat Pay has made transactions more convenient and efficient. In addition, Internet financial platforms such as Ant Financial and JD Finance provide users with personalized financial services, including loans, investment and insurance, through big data and artificial intelligence technologies. The application of blockchain technology in the financial field is also expanding, such as digital currency and smart contracts, which provide guarantees for the security and transparency of financial transactions. Overall, the development of digital finance has not only improved the efficiency and accessibility of financial services, but also promoted financial inclusion and innovation.

4.2. Current Status of Household Financial Asset Allocation

The allocation of financial assets of households is an important indicator of their wealth management level and risk tolerance. With the popularization of digital finance, the way households allocate financial assets is also changing. Traditionally, household financial assets are mainly concentrated in low-risk, conservative investment tools such as bank deposits, insurance and real estate. However, with the development of financial technology, more residents have begun to use digital financial platforms for diversified investments, such as stocks, funds, P2P lending and digital currencies. This change is not only reflected in the increase in asset types, but also in the diversification of asset allocation and risk distribution. Data shows that more and more households are beginning to pay attention to the risk management of investment portfolios and reduce the risk of single assets by diversifying investments. At the same time, the personalized financial advice and automated investment services provided by digital financial platforms also help residents to allocate assets more scientifically and optimize the returns and risks of investment portfolios.

4.3. Combination of digital finance and household financial asset allocation

The development of digital finance has had a profound impact on the allocation of household financial assets. First, digital finance has improved the convenience of information acquisition, allowing residents to obtain market information and investment advice more timely, so as to make more informed investment decisions. Second, digital finance has reduced the cost of financial transactions, allowing more residents to participate in the financial market, especially those with low incomes and residents in remote areas who originally had difficulty accessing traditional financial services. In addition, digital finance provides a rich and diverse selection of financial products to meet the investment needs of different residents. For example, the numerous financial products and investment tools on the Internet financial platform provide residents with more investment options and opportunities for risk diversification. Finally, digital finance provides residents with personalized financial advice and investment strategies through big data and artificial intelligence technologies, helping them optimize asset allocation and improve investment returns. With the support of policies and regulatory measures, the development of digital finance will continue to promote the optimization and diversification of household financial asset allocation, promote wealth growth and effective risk management.

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5. Countermeasures and Suggestions

5.1. Policy recommendations

The government plays a vital role in promoting the development of digital finance, and needs to guide and support the healthy development of this field by formulating and implementing a series of policy measures. First, the government should establish a sound legal and regulatory framework to ensure the stability and security of the digital financial market. This includes formulating relevant laws and regulations, clarifying the entry conditions and operating norms of digital financial enterprises, preventing financial risks, and protecting the rights and interests of consumers. Secondly, the government should actively promote infrastructure construction, especially the coverage and popularization of the Internet and mobile networks, to support the widespread application of digital financial services. By providing technical subsidies and tax incentives, financial technology innovation is encouraged and the application of new technologies in the financial field is promoted. In addition, the government should strengthen financial education and publicity to improve the public's awareness and acceptance of digital finance. By carrying out financial knowledge popularization activities, the financial literacy of residents can be improved, and their understanding and use of digital financial tools can be enhanced to promote the popularization and application of digital finance.

5.2. Recommendations for financial institutions

Financial institutions should actively use digital technology to improve service quality and efficiency in the development of digital finance to meet the changing financial needs of residents. First, financial institutions should increase their investment in financial technology and enhance their own technical and innovative capabilities. By introducing advanced technologies such as big data analysis, artificial intelligence, and blockchain, they can optimize financial products and services, improve risk management, and enhance customer experience. Secondly, financial institutions should strengthen cooperation with technology companies, and with the help of external innovation forces, quickly launch new products and services that meet market demand. By building an open platform, resource sharing and complementary advantages can be achieved, and the digitalization and intelligence of financial services can be promoted. In addition, financial institutions should also pay attention to data security and privacy protection, establish comprehensive security measures , and ensure the security and privacy of customer information. By improving service quality and security, customer trust and satisfaction can be enhanced, and the coverage and influence of digital finance can be expanded.

5.3. Suggestions for Residents and Families

In the digital financial era, households need to improve their financial literacy and make rational use of digital financial tools to achieve optimal asset allocation and wealth appreciation. First, residents should actively learn and understand the relevant knowledge of digital finance and master basic financial tools and investment strategies. They should improve their financial literacy and risk identification capabilities by participating in financial knowledge training and online courses. Secondly, residents should plan their family finances reasonably and formulate scientific asset allocation plans. According to the family's financial situation and risk tolerance, they should choose suitable financial products to achieve diversified asset allocation and risk dispersion. Finally, residents should be vigilant when using digital financial tools to guard against risks such as financial fraud and information leakage. They should choose legal and compliant financial platforms, regularly monitor and evaluate investment situations, and adjust investment strategies in a timely manner to ensure the safety and appreciation of assets. By making rational use of digital financial tools, households can better manage their wealth and achieve financial goals and improve their quality of life.

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6. Conclusion

6.1. Main research findings

Through an in-depth analysis of the current status of digital finance and household financial asset allocation, this study has drawn some core conclusions. First, the development of digital finance has greatly improved the convenience of residents in obtaining financial information and transaction efficiency, and promoted the popularization and diversification of financial services. Second, digital finance has significantly affected the asset allocation behavior of households by reducing transaction costs and providing a wealth of investment options, enabling more households to make diversified and scientific investments. Finally, this study found that there are obvious differences in the use of digital financial tools and asset allocation by residents with different characteristics, and government policies and regional economic development levels play an important regulatory role in this.

6.2. Theoretical and practical contributions

On the theoretical level, this study enriches the theoretical system of the relationship between digital finance and residents' financial behavior, and expands the application of behavioral finance and information asymmetry theory in the context of digital finance. At the same time, this study provides empirical support for relevant theories by analyzing how digital finance affects residents' financial asset allocation. On the practical level, this study provides valuable reference for policymakers, financial institutions and residents. The government can formulate more effective policy support and regulatory measures based on the research conclusions to promote the healthy development of digital finance. Financial institutions can use research findings to optimize financial products and services and improve customer experience and satisfaction. Households can better allocate assets, achieve wealth appreciation and risk management by learning and applying research results.

6.3. Research limitations and future directions

Although this study has made some important findings in the field of digital finance and residents' financial asset allocation, there are still some limitations. First, the research data mainly comes from China and may not be fully applicable to other countries and regions. Future research can be expanded to more countries and regions to verify and supplement the conclusions of this study. Secondly, this study mainly uses qualitative analysis methods, and relevant conclusions can be further verified through empirical research in the future. In addition, with the continuous development and evolution of digital financial technology, future research should focus on the impact of emerging technologies on financial behavior and asset allocation, such as blockchain, artificial intelligence, and big data analysis. Through continuous research and exploration, more comprehensive and in-depth theoretical support and practical guidance can be provided for the healthy development of digital finance and residents' wealth management.

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