

Digital financial inclusion and heterogeneity household portfolio choice

—evidence based on random effect Tobit model

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Financial Inclusion, according to the United Nations, is a process of providing access to appropriate banking and financial products & Services to the vulnerable groups in particular such as developing regions and low-income households at an affordable cost (United Nations,2005). In recent years, combined with digital technology, the digital financial inclusion has been vigorously promoted by the Chinese government. Previous studies show that the development of digital financial inclusion stimulates household consumption (He et al., 2020; Yi et al., 2018) and promotes entrepreneurship (Xie et al., 2018). Questions remain, however, about how this affects household portfolio choice. Based on the Beijing University Digital Financial Inclusion Index (Guo F. et al., 2020) and the China Household Finance Survey (CHFS) data, this paper analyzes how digital financial inclusion affects household allocation in risky assets from the perspective of heterogeneity.

Research show that households lived in region with higher levels of digital financial inclusion development allocate greater proportion of risky assets. While the development of digital financial inclusion promotes the allocation of risky assets by high-income households through financial literacy and credit constraints, there is no evidence that it also affects low-income households through them. On the other hand, the development of digital financial inclusion could encourage low-income households to obtain financial information online which stimulating investment in risky assets. Although digital financial inclusion in China would lead to a widening wealth gap between the rich and poor, it also has the positive aspect of making financial information more available to vulnerable groups.

Therefore, along with the development of digital financial inclusion, it is essential to disseminate the financial education to households. Additionally, efforts to promote digitalization development would help alleviate the information asymmetry problem in the financial market, which would be beneficial to lower the threshold of participation in the financial market for low-income households. Last but not least, although CHFS survey shows that as of 2017, 96.86% of households hold a mobile phone, however with only 61.49% of the households holding smart phones. It is necessary for the government to consider further improve penetration of the Internet and smartphones.