



SWOT-based Analysis of Digital Inclusive Finance in Guangdong Province

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Abstract. Digital financial inclusion has been added as part of China's financial structure with the goal of developing China's modern financial system. Guangdong Province is also responding positively to the healthy development of digital financial inclusion based on China's Internet development goals. This paper selects the 2011–2020 digital inclusive finance index of Guangdong Province and conducts a SWOT analysis to explore the advantages, disadvantages, opportunities, and challenges of the development of digital inclusive finance in Guangdong. It is found that Guangdong Province has a good economic foundation and policy advantages in the development of digital inclusive finance, but there are problems such as obvious regional development differences and insufficient credit supervision measures. Based on this, the article puts forward corresponding countermeasures, such as reducing regional development differences, popularizing the concept of credit in the new era, strengthening information supervision, and so on, in order to provide suggestions for the development of digital inclusive finance in Guangdong Province.

Keywords: SWOT Analysis, Digital Inclusive Finance, Digital Inclusive Finance Development Index, Regional development gap, Economic development

1 Introduction

Since 2005, when the United Nations International Year of Microcredit first proposed "digital inclusive finance", countries around the world have begun to vigorously develop digital inclusive finance. The purpose of the financial inclusion system is to promote the enjoyment of equal financial services by the mass groups in modern society by incorporating microcredit into the financial system [1]. Bruhn & Love showed that when the availability of financial services is improved, the income and employment rate of low-income groups will increase, and there is a significant positive correlation between them [2]. Park & Mercado believe that digital financial inclusion is the most effective way to improve the financial services in China, as the development of digital financial inclusion can make it easier for poor households to access financial services [3]. Teng and Ma believe that the inclusiveness of digital inclusive finance can effectively alleviate the constraints of enterprise financing by lowering the threshold [4]. Zhang studied the relationship between Internet development and the development

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level of digital inclusive finance in China from 2004 to 2014 based on the Vector Error Correction Model (VECM) [5]. On the one hand, digital inclusive finance promotes the development of Internet finance [5]. On the other hand, the development of digital inclusive finance has had a significant impact on narrowing the income gap between urban and rural residents in China [5]. But there is heterogeneity in the effect in different regions.

As the largest economic province in China, the development of digital inclusive finance in Guangdong Province has gradually accelerated, but there are some problems in the process of development. Therefore, based on the SWOT analysis method, this paper discusses the advantageous conditions, constraints, development basis, and problems of digital inclusive finance in Guangdong Province. In addition, this paper puts forward corresponding countermeasures for its existing issues, with a view to providing corresponding theoretical support and policy recommendations for the development of digital inclusive finance in Guangdong, China.

2 The development status

According to the 2011-2020 Digital Inclusive Finance Development Index of each prefecture-level city released by the Digital Finance Center of Peking University [6], the article calculates the 2011-2020 Digital Inclusive Finance Index, the breadth of coverage, and the depth of use in Guangdong Province, as shown in Figure 1.

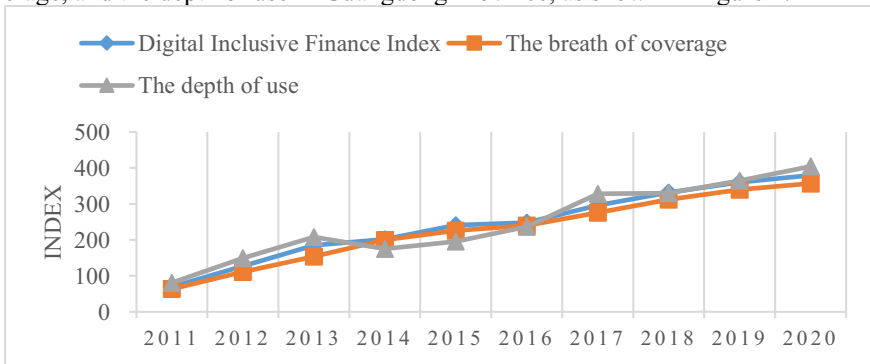


Fig. 1. 2011-2020 Digital Inclusive Finance Index, the breadth of coverage and the depth of use in Guangdong

2011-2020 digital inclusive finance in Guangdong shows a clear upward trend and rapid development. In terms of index, the digital inclusive finance index was 69.48 in 2011, and it grew to 379.53 in 2020, an increase of 334%. In terms of growth rate, the growth rate of digital inclusive finance in Guangdong Province was 66% in 2011-2012, while the growth rate in 2019-2020 was only 4%. 2011-2012 saw the fastest growth in breadth of coverage, reaching 73%, followed by a decrease in the rate of increase in 2012-2016. This may be due to the fact that digital inclusive finance was just promoted in 2011 and the breadth of coverage expanded rapidly, but the publicity of the concept of digital inclusive finance was insufficient in the later period. The increase in the

breadth of coverage of digital inclusive finance in 2016-2017 may be due to the increase in the number of people who use smartphones and the rapid rise in the number of Alipay registrations.

From 2011 to 2020, the depth of digital financial inclusion in Guangdong Province showed a fluctuating upward trend. 2013-2014 saw a 9% decrease in the depth of digital financial inclusion, probably due to the lack of popularization of the concept of credit. 2017-2018 saw a 2% decrease. Although there has been an increase in the depth of use of digital inclusive finance in Guangdong Province from 2018 to 2020, the growth rate is low.

3 The SWOT Analysis

3.1 Strength

Digital inclusive finance promotes the development of the real economy and alleviates the negative impact of financial agglomeration on the real economy [7-8]. Inclusive finance has a good effect on poverty reduction, thus, the development of inclusive finance can stimulate economic growth and improve the overall income level of residents. Digital finance promotes regional technological innovation to serve economic growth and favors regional entrepreneurship [9]. Farmers are an important supply object of digital inclusive financ. With the construction of digital inclusive finance "village to village", in 2018, Guangdong Province issued a total of 17.4 billion yuan of loans to help farmers, and a total of 10.31 million farmers have policy agricultural insurance, so the effect of the development of digital inclusive finance is remarkable.

3.2 Disadvantages

Uncoordinated regional development. As an economic frontier region, Guangdong Province has a relatively high degree of digitization, but it is still the main indicator driving the disparity among cities in the province. For example, the slower development of digital inclusive finance in northern Guangdong is mainly due to the mountainous terrain, which makes the construction of information infrastructure more difficult and affects the popularization and promotion of digital finance, thereby affecting the development of the real economy in northern Guangdong.

Institutional and Mechanism Obstacles. Compared with the traditional inclusive finance development model, digital inclusive finance relies more on new information infrastructure such as the third-party payment transfer system and financial technology represented by blockchain and big data [10]. On the one hand, although the level of informationization development in Guangdong is among the highest in the country and the relevant authorities have paid great attention to information regulation, there still exists the phenomenon of incomplete disclosure of some information, which generates the problem of information asymmetry. On the other hand, the essence of digital in-

clusive finance is to provide targeted loans to people with lower incomes and small and medium-sized populations using digital technologies such as face imaging and big data.

3.3 Opportunities

Geographical advantage. Guangdong is adjacent to Hong Kong and Macao, and has certain financial openness and first-mover advantages. With the accelerated integration of the Guangdong-Hong Kong-Macao Greater Bay Area and the radiation effect of Hong Kong's international financial center, Guangdong's finance has become more open and internationalized, and it has financial advantages such as low financing costs, many international financing channels and rich financial products, which can promote the free flow of capital and give play to its good economic and financial advantages.

Policy advantages. In terms of general development direction and planning, Guangdong Province has issued "the 14th Five-Year Plan for Financial Reform and Development of Guangdong Province" as guidelines for Guangdong Province to deepen its financial reform, and also serve as an important basis for the development of inclusive finance. In respect of promoting financial development by capitalizing on the advantages of the Greater Bay Area, Guangdong has successively issued the "Opinions on Financial Support for the Construction of the Greater Bay Area", which aim to enhance the flow of financial resources among regions.

3.4 Challenges

Insufficient knowledge about digital financial inclusion. Financial literacy is the degree of financial consumers' cognition of relevant financial knowledge and financial decision-making ability. At present, the financial literacy of rural residents in Guangdong is not high. There is a lack of financial knowledge reserves, a lack of financial skills, financial risk awareness is weak, etc., so it is easy to bring about the problem of resource imbalance. In addition, the current domestic Internet financial sector and the construction of the credit system are still in a period of perfection, which makes it possible for unscrupulous elements to take advantage of them, and the phenomenon of Internet financial fraud happens from time to time.

Digital inclusive finance credit risk. As a relatively new financial development concept, inclusive finance in the development process is faced with traditional financial risks and its own unique risks. At this stage, the construction of the digital financial system in Guangdong Province has not yet fully reached the level of diversified and controllable. The lack of financial cognition of rural residents and other subjects, such as the elderly residents, so that the subject of the overall credit level is low, and in the operation of the huge funds will sometimes face greater credit risk.

4 Sugestions

4.1 Improving the top-level design of the digital economy system

Guangdong Province needs to formulate strategic guidance, institutional design, and other policies suitable for the digital development of Guangdong Province on the basis of the national strategy. Guangdong needs to capitalize on the platform created for Guangdong's financial reform and innovation by the construction of the dual-region, and enhance its financial policy support for the eastern, western and northern regions of Guangdong. At the same time, it will unite domestic and foreign financial resources to promote the construction of Guangdong's inclusive financial demonstration zone, thereby guiding the core financial resources of the Guangdong-Hong Kong-Macao Greater Bay Area to radiate to the whole province.

4.2 Promote coordinated regional development

Priority should be given to strengthening the digitization of marginal areas in Guangdong Province, as digitization is an important technical support for digital inclusive finance. Through the construction of digital infrastructure, the financial system can become truly inclusive, so as to meet the financial service needs of all groups [11]. Secondly, it is necessary to develop the communication infrastructure in the peripheral areas of Guangdong Province, so as to enhance the digital payment system, which can improve the efficiency of financial resource allocation in Guangdong Province while reducing the financial dependence of digital inclusive finance in the peripheral areas of Province.

4.3 Increase digital financial inclusion publicity

The government and financial institutions should strengthen financial inclusion publicity in rural areas, and promote financial products and services with the help of modern Internet platforms and centralized education consulting services. Through the enhancement of their own abilities and the cultivation of financial awareness, the mass base of digital inclusive finance will be strengthened. During the training process, the government and institutions can accommodate professionals with financial literacy, thereby driving the development of the financial industry.

4.4 Strengthen supervision and management

The government needs to focus on optimizing the financial ecology of eastern Guangdong, western Guangdong, and northern Guangdong, so as to improve the long-term mechanisms for preventing and resolving financial risks, as well as consolidate the foundation for financial reform and innovation. On the premise of respecting the laws of market development, it should avoid blindly implementing inclusive finance and neglecting the commercial norms in the financial market, thus affecting the sustainable development of inclusive finance and the efficiency of serving the real

economy. At the same time, a system for evaluating the efficiency of digital financial services for the development of the real economy should be established to dynamically assess and regulate the development of the digital economy in Guangdong Province.

5 Conclusion

Against the background of the rapid development of the Internet economy, inclusive finance has gradually developed into digital inclusive finance, providing convenient financial services for people in financial difficulties and the middle-aged and elderly population. However, there are still more problems with digitally inclusive finance. Digital inclusive finance in Guangdong Province has developed faster, and its infrastructure is more complete. In the future development process, Guangdong Province should focus on the regional development gap and the depth of the development of digital inclusive finance and improve the coverage and use of digital inclusive financial services in all aspects. Ultimately, the purpose of popularizing digital inclusive finance and the sustainable development of Guangdong Province's economy will be realized.

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