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Analysis of Chinese Household Financial Investment in the Context of Digital Economy Development

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Abstract: At a time when the digital economy is developing rapidly, household disposable assets are also gradually increasing, and reasonable and efficient allocation of assets for investment is the goal pursued by every family. Based on data from the 2019 China Household Finance Survey (CHFS), this paper examines the impact of the development of the digital economy on Chinese households' financial market participation and financial investment through the methods of literature analysis, comparison and synthesis. The study finds that the development of the digital economy has given Chinese households more investment options. Meanwhile, with the addition of digital literacy, the direction of engaging in a career, financial knowledge and investment experience, urban and geographical differences, and the level of digital economy development will have a huge impact on household financial investment. In addition, reasonable investment in digital economy products, strengthening risk awareness and accumulating investment experience are all conducive to Chinese families' profitability in financial investment.

Keywords: Financial investment, Digital economy, Financial market participation, Digital literacy, Risk attitude

1. Introduction

Rapid economic development is reflected in the accumulation of wealth in every household. Campbell's classical theory suggests that no matter how risk averse a household is to investment risk, as long as the risky asset premium is positive, all households hold risky assets to a greater or lesser extent [1]. Therefore, after satisfying the problem of basic subsistence, more and more families use their surplus property for investment, and the term family finance has gradually become the focus of people's attention. Along with the continuous development of the Internet, the digital economy is also a hot topic nowadays. There are countless financial products based on the digital economy, which have brought substantial changes to the entire financial system. People can make their own choices between digital economy products and traditional financial products. As can be seen in the 2019 China Household Finance Survey data, the proportion of real estate in the asset allocation of Chinese urban residents is as high as 59.1%, and the proportion of financial assets is only 20.4%. Overall, the assets of China's household finance are mainly orientated towards cash and demand and time deposits, while the allocation of risky financial assets such as stocks, bonds and funds accounts for only 10%. Analysing the huge gap between Campell's classical theory and reality is of great significance for Chinese households to participate in the financial market,

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improve asset utilisation and promote national economic development. This paper uses literature analysis, review and comparison methods to specifically analyse the performance of Chinese households' financial investment in the digital economy through education level, risk awareness, financial knowledge level and urban-rural differences. In this way, it provides a reference direction for bridging the digital divide, and can also be used to examine the specific relationship and structural elements of the digital economy and household financial investment.

2. Overview of Digital Economy and Digital Literacy

Through network infrastructure and information tools such as smartphones, relying on information technology such as the Internet, cloud computing, blockchain, Internet of Things and other information technologies, the ability of human beings to deal with the quantity, quality and speed of big data has been greatly improved, thus generating digitised commodities and services, which is commonly known as the "digital industrialisation and industrial digitisation", or the Digital economy. Digital literacy is also a product of the new era under the rapid development of the digital economy. 1994, the scholar Eshet put forward the concept of digital literacy for the first time, he believes that digital literacy consists of five basic elements, which are "image analysis literacy", "information reproduction literacy", "knowledge architecture literacy", "information discrimination literacy", and "virtual emotional literacy" [2]. In modern society, the digital divide is a problem in front of all people, and digital literacy as a kind of ability can help different people to find and analyse the information and data they want precisely in the digital flood. At the same time, it allows non-professionals to have the ability to analyse and research. In the field of family finance, family units can reasonably use digital literacy to learn financial knowledge and obtain financial product information, which can greatly improve the yield of family financial investment and reasonably avoid investment risks. Therefore, adapting to the digital economy and learning digital literacy is a necessary course for family financial investment.

3. Current Situation and Reason of Chinese Household Financial Investment

3.1. Current Situation of Household Financial Investment

Accompanied by the accumulation of residents' wealth, the investment consciousness of residents is also active, and people are constantly looking for suitable ways and means to change the layout of family asset allocation, so that it can achieve a reasonable configuration [3]. According to the Family Financial Centre 2019 data, most of China's family asset allocation is concentrated in real assets and accounts for 79.6%, showing a conservative investment mentality. Risky investment projects such as stocks, funds, bonds, and Internet financial products accounted for only 12.8%, and the degree of differentiation in the allocation of financial assets was very serious. Moreover, among the risky investment products, 83.6% of households will only choose stocks and bonds to try, and very few households can achieve the purpose of risk diversification through diversified allocation of risky assets. However, compared with the data of previous years, with the development of technology and the popularisation of mobile payment, internet finance and digital economy products have gradually appeared in households with a certain degree of digital literacy, and these people are more willing to try different financial products. In addition, in most affluent families, the proportion of financial assets is much larger than that of ordinary families, and they are able to bear the negative effects of financial risks, and also need to reasonably allocate their assets so as to improve the utilisation rate of their assets. Overall, Chinese families still lack comprehensive digital literacy in financial investment, but they are constantly adapting to the times and exploring their own investment methods and asset portfolios in the modern digital economy.

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3.2. Factors Affecting the Development of Household Financial Investment

From the perspective of the Internet era, the first and most central factor affecting the development of family financial investment is the development of the digital economy. The development of smart devices and information technology has brought unprecedented opportunities for families to improve their digital literacy. With convenient search software, families can easily obtain the financial information they need to participate in family investment. The emergence of financial transaction software, such as Alipay, has greatly lowered the threshold for families to participate in the investment, where people can freely participate in investment in stocks, funds and bonds, and can also choose more new digital economy products. From the perspective of financial inclusion, the development of the digital economy and the gradual popularisation of digital literacy have helped the further development of family investment to a large extent [4].

From a macro perspective, another factor affecting household financial investment is the difference between towns and regions [5]. Urban residents are closer to financial trading centres than their rural counterparts, making it easier for them to engage in financial investment activities. Especially for residents of Beijing and Shanghai, the superior geographic location greatly improves the financial literacy of the residents, which stimulates the investment enthusiasm of the residents. For rural residents, geographic location is an obstacle to the improvement of financial literacy and digital literacy. The concept of risky investment is not prominent among this group. As a result, rural residents prefer to invest in more tangible physical assets, thus making property and deposits an important part of household assets. The geographic factor is similar to the urban factor, taking the central and western parts of China as an example, it can be seen in Li Rui's calculations that households in the eastern part of China are 1.5 times more motivated to invest in financial risk than households in the western part of the country [6]. It is not difficult to see that geographic factors also hinder the enthusiasm of household investment. Moreover, most of the important conferences and policy guidelines related to economic development are tilted towards the east, so it is not a wise choice for western families to participate in risk investment.

Turning again to the household perspective. Whether or not a household participates in financial investment depends on how much available capital the household has, corresponding to Campbell's classical theory that a household tends to choose to hold a risky asset when faced with a positive premium [1]. And those households with ample funds are happy to make the most of their assets by investing in risky financial products. As for middle-income and low-income households, they are often unwilling to take the risks associated with investing, and property still dominates their assets. But not all households fit this rule, and the occupation of the main income earner in the household plays an important role here. Families engaged in traditional industries, such as teachers, doctors, and workers, they tend to maintain a wait-and-see attitude towards family risk investment, the nature of their work determines their conservative character, and such a character is habitually used by them to look at the matter of family investment. Families working in Internet companies are exposed to a wider range of financial information, and the residents' own digital literacy is sufficient to support their information retrieval for financial investment, and sufficient information also supports this type of family's attempts at risky investment.

The availability of a rich store of financial knowledge and investment experience is also a major factor affecting household investment. In families that basically have no access to knowledge related to family financial investment, it is difficult to see them try some risky investments. And for families with some knowledge and experience in family investment, it is easy to appear overconfidence [5]. They often blindly rely on their only knowledge to try risky investments, but their own digital literacy is not sufficient, and investment experience is relatively scarce, it is difficult to understand the asset allocation that is really favourable to their own families, and so they

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bear a huge risk in the investment. For families that truly understand or are engaged in the financial industry, they tend to make efficient use of their wealth by choosing the most favourable asset allocation to achieve profitability and risk diversification, and at the same time, they are able to accumulate sufficient investment experience in the long term when they are in contact with the financial related industry. Thus, financial literacy and investment experience play an important role in households' attempts to invest and invest efficiently.

4. Measures to Help Households Invest Financially

In the digital age, the threshold necessary for investment is to break through the digital divide, and efficient access to accurate and timely financial information has gradually become a key factor for families to participate in financial markets and make risky investments. Every family in the digital age has more or less a certain degree of digital literacy, but the digital literacy it possesses is not necessarily able to break the digital barrier. Therefore, it is necessary for family members to strengthen their information retrieval and knowledge structuring abilities. Each family member should learn how to efficiently use smart devices to acquire enough financial knowledge and market background, and construct their own financial market framework to improve it in the future.

Then there is the ability to acquire cutting-edge financial information. Changes in the financial market are time-sensitive and often closely related to the policies and current affairs of the international community, and obtaining complete and up-to-date financial information through multiple information channels will help families choose the right direction when making financial investments and avoid blind investment and lagging investment [6].

In addition, family financial investment requires a certain degree of risk awareness. Not every family can bear the consequences of risky investment failures, so it is necessary for families to make sensible choices, choosing appropriate and less risky investment options within the scope of the family's assets, in order to accumulate investment experience. After accumulating a certain level of financial knowledge and investment experience, families can analyse their own investment history and, combined with a proper awareness of risk, choose an appropriate investment framework and asset allocation, so as to achieve the purpose of risk diversification and profitability. However, they should not be overly conservative and have an extreme performance, but rather make balanced investments to fully enjoy the dividends of the times brought about by financial development [7].

5. Conclusion

Combining data from the 2019 China Household Finance Survey, this paper provides an insightful analysis of the status of household financial investment in China, which is in the era of the digital economy, through the methods of literature analysis, comparison and synthesis. From the current situation of family financial investment and multiple factors affecting family financial investment, this paper proves that being in a developed region, engaging in emerging industries such as the Internet, and possessing financial knowledge reserves and investment experience all contribute to the development of family financial investment. At the same time, improving digital literacy and adapting to the digital economy are also key conditions that determine the success of family financial investment. This paper is generally based on previous articles about family financial investment and does not deal with modeling methods and experimental methods. At the same time, there are no further detailed analyses of what aspects of family financial investment should be focused on. Subsequent research could analyse which family asset allocation and investment modules are suitable for mass family investment, and could also choose to study financial search methods applicable to family investment.

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